

THE BONANZA MINES

OF NEVADA.

Gross Frauds in the Management Exposed.

REPLY OF S. P. DEWEY

The misrepresentations of the Bonanza Firm in their

Libelous Publication of May 25th, 1878



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S. P. Dewey



TO THE SHAREHOLDERS IN THE CONSOLIDATED
VIRGINIA AND CALIFORNIA MINING COMPANIES,
AND TO THE PUBLIC:

On the 27th day of May last, in accordance with business and personal plans arranged some time previous, I left San Francisco to spend a few months in New York, London and Paris. Within the past week I have returned to this city from that visit. On Saturday, May 25th, thirty-six hours prior to my departure, a long, abusive and slanderous article, mainly composed of vilification of me, appeared as a communication in the San Francisco *Bulletin* newspaper. It was anonymous, except that it purported to emanate from one of the defendants in the suit of John H. Burke vs. J. C. Flood, John W. Mackay and James Fair, known as the bonanza firm, and others of their associates and subordinates, which suit had been brought to compel a restoration by them to the shareholders of the Consolidated Virginia Mining Company of thirty-five millions of dollars, alleged to have been illegally, and in violation of trust, misappropriated from the assets of the Company to defendants' private use and profit. As the article in question bore upon its face a vindictiveness that had grown out of madness at exposure and the fear of justice, and had evidently been issued by the bonanza firm to divert the mind of the public from the grave offences charged against them, and as the community in which they and I had lived for a quarter of a century well understood our respective standings as to intelligence, business integrity and social relations, I did not think it necessary, nor in accord with my self-respect, to take any further notice of so vulgar a missive than to publish in the *Alta California* newspaper of the next day the following card:

"SAN FRANCISCO, May 26, 1878.

"*Editors Alta:* The bonanza firm, through their minions, are seeking to divert public attention—through a personal attack upon myself—from the monstrous wrongs which they have perpetrated upon their stockholders, as set forth in the suit now pending in the Twelfth District Court, to compel restitution in the sum of thirty-five millions of dollars. To those who know them and me, no other reply to the gross fabrications running through the three-column article of the *Bulletin* is necessary than that which will be furnished through the Courts which have been invoked to try the issues involved in this case. S. P. DEWEY."

Upon reaching New York, London and Paris, respectively, I found that the bonanza firm had caused to be republished, in pamphlet form,

and distributed among all the bonanza shareholders who could be reached in those cities, the same gross and vulgar screed of falsehood that they had paraded in the columns of the *Bulletin*. As it was well known, both at home and abroad, that it had been mainly through my instrumentality and investigations that the frauds perpetrated by the bonanza firm had been brought to the attention of shareholders, and as this bonanza letter imputed to me motives of personal gain and extortion, I have felt that in justice to both friends and strangers who may be interested in the shares of the bonanza mines, and in the result of my efforts to bring these wrong-doers to accountability, and who, by an unanswered falsehood, might be further blinded and deceived, I ought to waive my personal distaste to reply to vulgarity, and do these slanderers the honor of a notice. I avail myself of the earliest possible moment upon my return so to do, nor shall I limit myself to the mere disproof of the falsehoods so cunningly devised as a diversion, but I shall endeavor to show, in their true light, the frauds perpetrated by these men, and how basely they have used the power that wealth has given them, in the violation of trust, in the use of falsehood and deception, and in the consummation of schemes to enrich themselves at the cost and sacrifice of co-shareholders. I shall present not only my own views and opinions, but I shall show what the press and the people of California think and say about them and their machinations. If by so doing I am in any degree able to hinder a repetition of such wrongs by them or others, I shall have all the recompense I desire.

Beginning with the published letter referred to, I will recapitulate its allegations, and show how false and malicious they are in all those references which impute to me dishonorable or unworthy motives. Briefly, and omitting the scurrility, they amount to this :

THE ALLEGATIONS OF THE BONANZA PEOPLE.

1st. That on the discovery of the bonanza, Mr. Dewey became, like many others, a large purchaser of its shares.

2d. That on the proposed rehabilitation of the Bank of California, after its failure and the death of Ralston, in August, 1875, rumors prevailed that Mr. Dewey was to be invited to become one of its Directors, and that, being ambitious for that distinction, he regarded hostility to the Bank of Nevada and its proprietors as conducive to his success, and, in accordance with such policy, denounced the "bonanza gang" as the authors of Ralston's death and of the failure of the Bank of California, and declared that Flood ought to be hanged.

3d. That these alleged remarks of Mr. Dewey having come to the ears of Mr. Flood, he had said : "Perhaps some day I may give him (Dewey) something that will entitle him to feel better, and will supply him with a sufficient reason to make him howl in earnest "

4th. That a month later, when the fire in Virginia City had swept away the hoisting works of the Consolidated Virginia, and it was not known how far the measures taken to protect the shaft had been successful, "there arose the doubtful question, anxiously breathed by thousands of pale lips. 'Will Consolidated Virginia pay her dividend?'" That Mr. Dewey called on Mr. Flood, who was one of the trustees of the company, and who "was not so friendly to Mr. Dewey as of old," to make the inquiry. That in so doing, he attempted to secure clandestine advantage over other holders of stock; and that it was an insult for him to ask Mr. Flood for information which would be withheld from other stockholders. That acting upon this theory, and mindful of the Ralston story, Mr. Flood replied to the inquiry by saying: "If the shaft is on fire badly it will be a long time before we can raise ore again. If it is not, we will be hoisting ore in forty or fifty days. About the payment of the dividend, that is a question for the Trustees to answer when they meet. I can't say what they will do." That prior to seeing Mr. Flood, Mr. Dewey had called upon the secretary of the company and inquired "how much money was on hand," to which the secretary had replied: "Less than \$600,000," but without mentioning the unparted bullion on hand. That Mr. Dewey named to Mr. Flood, he being the treasurer as well as trustee, the sum stated by the secretary as the balance on hand, to which Mr. Flood replied: "Well, I suppose he knows. He keeps the books." That accepting this information in its literal sense, Mr. Dewey regarded the non-payment of the regular dividend as a business conclusion, and eager to turn this conclusion to his own profit at the cost of others, he sold dividends on speculation in the market, upon 15,000 shares, at \$5 per share. That the usual \$10 dividend was paid, by which Mr. Dewey's speculation brought him a loss of \$75,000, instead of a profit of that amount. That thereupon, and thereafter Mr. Dewey publicly charged that Mr. Flood had tricked him, and lied to him, whereby he had been induced to short bonanza shares, with a loss of \$86,000; and that unless James C. Flood made good to him that loss, he would hound him to his grave.

5th. That as a mode of compelling Flood to reimburse his losses, and taking advantage of an era of bad feeling generated by a falling market, Mr. Dewey attended the annual meeting of stockholders, on

the 11th day of January, 1877, and as a friend of the public, "who did not desire his championship, and who were content with the princely return upon their investment in bonanza shares, opposed every motion there made, offering counter resolutions himself;" and that Dewey was howling with rage at the large shipments of bullion sent down from the mine.

6th. That Mr. Dewey, being anxious to bring suit against the bonanza managers to compel them "to account for tailings, or some such matter," in February, 1877, called upon Judge Lake and stated to him his purpose to commence such suit, and that he desired his legal advice. That having been informed by Judge Lake that he was attorney for the bonanza firm and that he could not accept his retainer, Mr. Dewey stated to him: "I want you to take to Flood a proposition to settle our difficulties about that loss I made in shorting the dividends. My proposition is this: I have 1,000 shares of Consolidated Virginia that stands me over \$80 per share. If Flood will take that off my hands at that figure I will be his friend and stand in with him and make a market."

7th. That on the 21st of January, 1878, Mr. Dewey made to Mr. O'Connor, who was a mutual friend of Mr. Flood and Mr. Dewey, a proposition in writing therein set forth, and being in substance to the effect that, having lost \$52,000 by misrepresentation of fact, the loss, in justice, ought to be made good, but that in the spirit of concession suggested by Mr. O'Connor, a division of the loss would be assented to by a sale of 1,000 shares of California stock at \$52 per share. That this proposition was declined by Mr. Flood.

8th. That, failing to effect a settlement of demands, by negotiation or otherwise, Mr. Dewey employed Mr. Trehane to write certain articles addressed to the bonanza firm, which appeared in the *Chronicle* of January 18, 1878, and entitled "Bonanza Tailings." That on February 18, 1878, Messrs. Holladay & Trehane, as attorneys for Mr. Dewey and other stockholders, owning in the aggregate several thousand shares in the Consolidated Virginia Mining Company, addressed a communication to the trustees of that company, containing a number of charges and specifications substantially the same as those embodied in Trehane's libelous letter of January 18, 1878. And that, in March following, the said attorneys prepared the complaint subsequently filed in the suit of Burke, but with the name of Dewey then appearing as plaintiff. That Mr. Dewey caused 100 shares of stock to be transferred to John H. Burke, and had his name substituted as plaintiff.

9th. That the allegations thus set forth establish an attempt at co-

ercion and intimidation, and that such attempt was for the purpose of blackmail and extortion.

THE CHARGES ANSWERED.

Taking up these allegations *seriatim*, I have to say : As to the first, I admit that, relying on the official reports of Mr. Fair, the superintendent and one of the trustees of the bonanza mines, as to the richness and extent of the ore in sight, and believing them to be truthful, and that so generous a bestowment of fortune's favors would insure from the men who were its managers and largest owners an honest and a just administration for the good of all concerned, I did become a purchaser of a large number of shares in each of the two companies owning the bonanza mines.

Not suspecting that stock jobbing was to become a part of the policy of the management, and that misrepresentation and exaggeration had been unscrupulously resorted to for the purpose of giving additional stimulus to public enthusiasm, I, in common with thousands of others, accepted, in good faith and as true data, official figures made by and under the supervision of the manager of actual developments in the Consolidated Virginia mine, which warranted the conclusion that that mine would yield its shareholders a product of many hundreds of millions of dollars. Considering the ingenuity of the method chosen to attract popular attention to the development, and the official statements concerning it, it is not surprising that so many thousands of the people of the Pacific coast were betrayed into a confidence that proved fatal to the fortunes of most of them.

HOW PUBLIC ATTENTION WAS DRAWN TO THE BONANZA.

That the public might be influenced by apparently disinterested opinions of the mine, of its ore developments and of its probable inexhaustible quantity, and its marvelous value, professional experts, graphic letter-writers and government officials were taken through it, and there supplied with samples from which to estimate probabilities, and in other ways were induced to make to the public reports so extravagant in the light of subsequent experience as to utterly destroy faith in human judgment or expert honesty. The first achievement of this kind appeared in a letter to the press by William Wright, a popular writer known by the *nom de plume* of "Dan De Quille."

It was illustrated by a large map exhibiting the known and the unknown extent of the great wonder, and was preceded by startling head-

lines, announcing the subject, thus : "The Heart of the Comstock !" "A Mass of Sulphuret and Chloride Ores!" "Crystallized Ore that is almost Pure Silver!" "Shining like a Casket of Black Diamonds!"

The reader was carried, in imagination, down to the 1500-foot level, and the curtain was drawn from crosscut No. 1 near the north boundary of the mine.

"This is the crosscut in which is found the richest ore yet discovered in the mine—ore which has astonished all the experts. This crosscut has been bored into the bonanza through a mass of chloride and sulphuret ores which excites the imagination of all beholders. It is now in 205 feet, 90 feet of which distance is in the extraordinary rich ore of which so much has been heard. It was in this crosscut that was encountered, a day or two since, the stephanite, a species of crystallized ore that is almost pure silver. At the distance of 180 feet in on this crosscut, a chamber about ten feet square has been excavated. Its walls on every side are a mass of the finest chloride ore, filled with streaks and bunches of rich and glistening black sulphurets. In the roof, toward the north side, is to be seen a quantity of stephanite, shining like a whole casket of black diamonds. It looks as though the mass grew richer with every foot of advance."

The scene is then shifted to crosscut No 2, 100 feet further to the south :

"This crosscut has been advanced 290 feet, 255 feet of which distance is in ore of the finest quality. Its face is still in ore of the same kind as that already passed through; no sign of a wall or of an end of ore."

Having thus filled the reader with amazement at the treasures disclosed, the writer resorts to figures and mathematics, giving an estimate of what a perpendicular slice a foot thick cut off the end of this "tract" of ore would be worth.

Starting out with pretended prudence, he says :

"In the first place, instead of saying that the ore will average two or three hundred dollars per ton, we will call the average assay \$100 per ton. We will make our slice but three levels in depth when we might make it five. We will reduce its width to 220 feet instead of leaving it 255.

"Cutting off such a slice, we find it to be 1 foot thick, 220 feet wide, and 300 feet long. In this slice there are 66,000 cubic feet, which, at 13 feet to the ton, gives us a trifle over 5,076 tons, which, at \$100 per ton, amounts to \$507,600, as the value of one slice cut off of but three levels and cut down in every way we can think of. Should we begin at crosscut No. 3, and continue to cut off slices of the same size till we reach the California line, we should find the value of all our slices to be \$116,748,000. That the average value of this deposit may be safely placed at \$200 per ton will hardly be doubted ; therefore, the above figures must be doubled to give the real value of our slices. This estimate leaves entirely out of the count the two levels above, also all that may

be in the mine below, and is indeed but a small section taken out of the mine of a convenient size for handling."

The author of this report is the same individual recently eulogized by Mr. Fair, in an interview with a Philadelphia reporter, as a reliable and intelligent expert, who would not, for a million dollars, perpetrate a falsehood.

The publication of the description of Consolidated Virginia by one who had seen and measured and calculated the value of so wonderful a mine, attracted the attention of the community.

That the most cautious and conservative might not fail to be influenced for want of more authoritative and professional data, the managers invited Phillip Deidesheimer, a mining engineer of reputation and wide acquaintance, to examine and report upon the development. After a thorough examination of the mine, he made the following report, which was published in every direction:

"I went through Consolidated Virginia and California, and inspected them thoroughly. I think the bonanza extends, so far as developed, 350 feet through Consolidated Virginia, through the California, which would be a total distance of 950 feet, and perhaps into Ophir. My former calculation showed that the bonanza was 600 feet in depth. The explorations have been carried 142 feet deeper since my last visit, and the ore was the same. The explorations upwards have shown ore 100 feet above, and ore has been struck still 100 feet above that. This gives a total increase of the developed height of the ore body of 342 feet, or 542 feet in the aggregate; and the progress is still through ore of equal richness. The probability is that the width will exceed my original calculations. The winze that was sunk a few feet from the line of the California in Consolidated Virginia is 142 feet below the 1500-foot level, and passing through very rich ore. Crosscut No. 2, which is 114 feet south of the California line, on the 1500-foot level, is now 310 feet in ore, and no wall yet. The crosscut from the 1550-foot level shows ore running up to the tens of thousands, with every indication of continuance. The winze 92 feet below the 1550-foot level is in very high grade ore, averaging, I should think, from \$1,000 to \$1,500 per ton.

"I assert that there is already to be shown in the two mines, California and Consolidated Virginin, \$1,500,000,000 of ore. I make this assertion, and am willing to stand by it. I think it will be perfectly safe to say that the ore will average \$200 per ton. I have examined drifts 150 feet in ore that averaged, ton per ton, as it was taken out, \$500. I should say that Consolidated Virginia and California are worth at least \$5,000 per share; that is, I have no doubt but that amount of money will be paid out in dividends. I have been mining twenty-four years, or most of my lifetime. I am very careful about my statements."

The secret of this extravagant and unwarranted report subsequently came to light in the disclosure of the fact that the bonanza firm had purchased, or furnished the money to purchase, for the account and

benefit of this professional expert, several hundred shares of the stock of the bonanza mines, whose value in the public estimation he might influence to his own and his principals' advantage.

The most ingenious device to divest the public of doubt and distrust, and especially of suspicion that the expert opinions had been improperly influenced, was the method taken to secure a *quasi* government estimate of the probable yield of the ore body. The authorization of the Director General of the Mint at Washington, H. R. Linderman was secured to cause an official examination of and report upon the great discovery, ostensibly as a matter of public interest with reference to its possible effect upon the currency of the country. Accordingly that official, accompanied by a subordinate, Prof. R. E. Rogers, in the summer of 1875, journeyed to Nevada, and in company with, and under the guidance and pilotage of Superintendent Fair, made two visits to the mine. Judging by the published report of those visits, which soon after appeared in the form of a government document at Washington, Mr. Fair did not omit to bring to the notice of those gentlemen the same *casket of black diamonds* that had stimulated the pen of Dan de Quille, likewise the *ore averaging \$1,500 per ton*, which Deidesheimer dreamed about.

On returning to Washington, the Director in his published annual report to the Secretary of the Treasury, made announcement of his visit to the mines with Prof. Rogers, and gave their estimates of the value of the ore in sight. After speaking of the inspection, the Director says:

"With the data thus obtained, we have been able to arrive at somewhat definite conclusions as to the probable yield of these mines. These conclusions are embodied in a report by Prof. Rogers, herewith submitted, and in which I concur."

The report of Prof. Rogers purports to give his "conclusions as to their probable total yield of gold and silver, based upon their present explored extent, and the quality of their ores as ascertained by assays." He further says:

"My explorations through these mines were accomplished through two prolonged visits, made on separate days; one in company with yourself, and the other under the guidance of the Superintendent.

"With the data in our possession, and the maps before us, I may venture upon the following calculations, and estimate the total ultimate product of the gold and silver of the ore body of these two mines. On an inspection of the official surveys exhibiting the galleries and crosscuts, it would seem fair to conclude

that with proper allowances, the ore body equals an amount which, taken at the actual assays, would give as the ultimate yield of the two mines \$300,000,000; but to guard against a chance of overestimating, I take the assays at one-half that ascertained, which will place the production at not less than \$150,000,000.

"With a view to make due allowance for the interruptions to the continuity of the body of ore which lies between the 1500-foot and 1400-foot levels, the whole of the ore between the 1400 and 1300-foot levels is thrown in, and not embraced in the estimate. It may also be stated that the very promising ore developments below the 1550-foot level, the assays of which run very high, have also been omitted in the calculations."

The portions of the mine thus omitted, have produced since the data of that report, fully one-half in quantity and value of the entire yield.

Recent investigations at Washington of official transactions of Linderman have disclosed the fact that the wife of that gentleman became the owner of a large number of bonanza shares at or about the time of the disinterested report by her husband, as above quoted.

This report was the bait that captured Eastern capital. Even the officials highest in authority, including the President of the United States, members of the Cabinet, and heads and subordinates of departments, were lured into confidence and became contributors to the exchequer of the bonanza firm.

Contemporaneous with the publication of the foregoing statements, Mr. Fair, one of the firm and superintendent of both mines, in his annual report made to the stockholders of the Consolidated Virginia Mining Company, dated December 31, 1874, gave corroboration to them by the following official statement :

SUPERINTENDENT FAIR'S REPORT.

"Within the past year the main shaft has been extended to the 1500-foot level. This level is now partially explored by crosscuts extending into the ore body in four different places, each 100 feet apart. The most southerly of these crosscuts shows a width of ore of 152 feet. The remaining crosscuts have not yet crossed the ore body, all having penetrated it over 100 feet, and one over 300 feet. The quality of the ore is of very high grade, and far exceeds in value any ever removed from the Comstock. The quantity now exposed to view is almost fabulous. On the 1550-foot level a drift has been run the whole length of the mine, the northern 400 feet of which passes through ore assaying from \$200 to \$800 per ton. Two crosscuts have been run on this level, one to the east and one to the west, disclosing a width of ore of over 100 feet, and neither east nor west wall has yet been reached. Below the 1550-foot level a double winze has been sunk 110 feet, passing through rich ore, and the bottom of the winze is now in ore of equal value to any yet found. The greatest quantity of ore extracted has been from the 1200, 1300 and 1400-foot levels. Large reserves of ore yet remain on

these levels, the northern extent having not yet been reached in any of them. " * * The quality and quantity of ore developed in the mine the past year far exceeds in value that of any mine which has ever come under my knowledge or observation."

Taking these figures of Mr. Fair as a basis of calculation of the quantity and value of the ore body on the 1500 and 1550-foot levels, measuring only from fifty feet above the 1500-foot level down to the 1550-foot level, a height of 100 feet, the result which the public arrived at was as follows: Width of ore body, 152 to 300 feet; average width, 226 feet; length, 400 feet; height, 100 feet; cubic feet of this area, 9,040,000. Estimating thirteen cubic feet to the ton, total tons of ore, 695,384; assay value from \$200 to \$800 per ton, average \$500; total value, \$347,692,000, or to each of the 108,000 shares of the capital stock, \$3,219. This estimate, based on the report, is confined to Consolidated Virginia alone, and is exclusive of all above and below and all to the south of the northerly 400 feet. Add to this the levels above (to the 1400) partially explored, and the levels below (to the 1700), to which a double winze had been sunk, passing "through rich ore, and the bottom being in ore of equal value to any yet found," and there should be a gross product from this portion of the bonanza of over one thousand million of dollars, and a value to each share of over \$9,600. That there was method in the ingenious phraseology of this report, and a subtle purpose to excite the imagination, as well as to warp the judgment, will be seen by reference to the following extracts:

"The ground to the south is entirely unexplored."

"None of the crosscuts have yet reached the eastern boundary."

"A double winze has been sunk from this (1550-foot) level to the depth of 147 feet, passing through rich ore, and the bottom is now in ore of equal value to any yet found."

An official report justifying such estimates was surely as strong a corroboration of Deidesheimer's statements as could have been given.

I accepted it in good faith, and made large purchases of the shares of the company, not on speculation, but as an investment warranted by the alleged facts. No one disbelieved or doubted the enormous value of the ore body, and all received without distrust the professional and official data of its developed dimensions and its assay value. The following extract from a review, by one of the San Francisco press, of the effect produced upon the public by the publication of these authorized

statements, will serve to illustrate how widely their influence extended:

"Never before, in all the mining excitements of the Pacific coast, did such demoralization seize upon the community. Bankers, money-lenders, retired capitalists, manufacturers, merchants, shopkeepers, clerks, farmers, mechanics, hod-carriers, servant men and servant women, clergymen, lawyers and doctors, wives and widows, in short, men and women of every class and grade of society, poured in their orders for the purchase of bonanza stocks. The dividends were increased to \$10, and hints and rumors were floated around that they would be further increased to \$20 or \$25. Capital was withdrawn from all the varied industries of the country, which, up to this time, were in a healthy and successful process of development, and money from depositories of safety or places of investment. Real estate was sold or mortgaged to procure the coin that could be invested with prospects of such immense returns, and every avenue of industry and legitimate enterprise lost supporters and operatives, who fancied they saw here a safe and speedy road to fortune.

"So blind did the public grow in their excitement that they failed to consider from what quarter the market was being accommodated with shares. Of the 108,000 shares of each mine the firm controlling the management, Flood, O'Brien, Mackey & Fair, were notoriously credited with being the owners of about 85,000 shares of Consolidated Virginia, and nearly as much of California. Both were supplied to the extent of public demand."

In purchasing, as I did largely, shares of both companies, I exhibited confidence, not only in the mine, but also in the administration of its affairs. I did not believe it possible that its four principal owners, holding among them the controlling interest, having yet to establish in the community their standing as to character, capacity and business integrity, would have so little respect for the esteem of men as to ignore all the qualifications necessary to secure it, and prostitute all their energies to the mere purpose of getting money, nor that their ambition in that one sphere of action would not be limited to what was rightfully their own. I should have been wiser had I borne in mind that to administer and enjoy wealth wisely requires nobility of character, and that its sudden acquisition does not always bring to its possessors refinement of mental grossness.

THE BANK OF CALIFORNIA STORY.

As to the second allegation, I declare it to be a pure invention and a fiction without a shadow of foundation. I have never owned a share of the stock of the Bank of California, never kept an account with it and never had a financial transaction with it; the converse of which would seem to be necessary preliminaries to one ambitious of becom-

ing one of its officers. This denial will be confirmed by Mr. D. O. Mills, Hon. William Sharon, and Messrs. Alvord and Brown, the present chief officers of the bank, gentlemen to whom the public of San Francisco are indebted for the rehabilitation of that institution, the greatest financial effort and triumph in the history of this city, and which was accomplished, not with the aid, but against the opposition of the very men who have uttered this scandal. So week a falsehood is an invention of a guilty man after the exposure of his deceptions, and is a bald pretext of excuse for the mean and malevolent trickery he subsequently confesses.

FLOOD'S CONFESSION.

The third allegation of the treasured-up spite of Mr. Flood, laid away until time should furnish opportunity for its exercise, though an afterthought, when his dissimulation and prevarication had accomplished their purpose, is practically a plea of guilty that proves him to have been not only unworthy of, but unable to appreciate the position he occupied. The base coin is detected by its ring.

THE INTERVIEW WITH FLOOD.

The fourth allegation is so complete a misconstruction of motive; such a distortion of fact, and so false in its narrative, that I will best reply to it by stating the circumstances connected with that interview. At the time of the destruction of the hoisting works of the Consolidated Virginia, the public had become large holders of the stock of that company, and it became a grave question that soon excited the popular mind whether the injury suffered would produce serious delay in further production; and whether there was sufficient surplus in the treasury to meet the dividends regularly, in the meanwhile. Many had invested their entire fortune in that stock, and to them a stoppage of dividend was a cessation of necessary means of support. Notwithstanding the manifest anxiety that such conditions created in the public mind, no sign or word of comfort, assurance or information escaped the bonanza firm, who were not only managers of the mine and trustees of the company, but were also the principal lenders who had held the shares of the public as collateral for advances.

As a large shareholder, actuated by a desire to get at the facts, which ought to have been given to the public unasked, I called at the office of the company in the latter part of November, and requested of the secretary, as I certainly had the right to do, information of the amount

of the cash balance of the company on the previous dividend day, to wit: November 11th. It is customary for the secretaries of all companies paying dividends to make out such statements for the information and guidance of the trustees with reference to the declaration of dividends. That official, in reply to my question, referred me to Mr. Flood, the treasurer of the company, to whom, he said, the statement had been handed, making no declaration whatever as to the amount on hand, whether in cash or bullion. I immediately went to see Mr. Flood, whose office was in the same building, and met him at the Pine street entrance. I stated to him the object of my visit, and made the inquiry of him which I had made of the secretary.

He invited me into the parlor of the Nevada Bank, where, after some hesitation, which seemed to me singular, he stated definitely, in answer to my previous question, that the balance was between \$400,000 and \$500,000. Without in the least doubting, I accepted his statement as the truth. Knowing, as did every one, that the new hoisting works, though well under way, could not be completed and the work of reproduction commenced for some time, and drawing my conclusions from Mr. Flood's *mala fide* statement of the cash balance, that no dividend could be expected for two months at least, and in view of the facts that the annual State and city taxes, amounting to several millions of dollars, would in the meantime become due and payable, and that the failure of the Bank of California had created a financial stringency to which the suspension of these dividends, amounting to over \$1,000,000 per month, would seriously add, I did what any prudent business man would have done under similar circumstances—I sold largely of my bonanza stocks at the then depreciated market rates.

I have no doubt that the shares I sold were purchased by the bonanza firm. I had then no unfavorable opinion of the prosperous future of the mine nor any distrust of the truth of any of the official reports concerning it; my act of selling was solely the result of the statement made to me by Mr. Flood. I had neither asked for exclusive information, nor had I any reason to think that such information was exclusive or that it had not been imparted to others besides myself who might have felt sufficient interest to make the same inquiry.

PROOF OF TREACHERY.

My first suspicion that I had been deceived by Mr. Flood's statements was awakened by the steady demand for the stock which was immediately after manifested in the market, and which I knew could

come only from the bonanza firm, who were evidently taking advantage of the depreciation which had been mainly caused by their general reticence as to affairs, and by their misrepresentations when they saw fit to impart pretended truths. I thereupon determined upon an examination of the books of the company, to learn definitely whether I had been misinformed. I made such examination, and found that, on the 11th of November, 1875, the date to which my inquiry had been directed, the check-book of the company showed a balance in the bank, irrespective of bullion, of \$2,308,805.34, or nearly two millions in excess of the amount stated to me by Mr. Flood, and that this balance was in cash, and not in unparted bullion. The allegation that the bullion, and not the cash on hand, furnished the means for a dividend is an afterthought and a subterfuge to escape the detected falsehood.

The check-book further showed that, on the 12th of November, and after the transfer had been made of funds for the payment of the dividend, a further transfer of \$700,000 was made by check to J. C. Flood, treasurer. I asked of the secretary the explanation of this check, to which he replied, "It is usual to make such transfers when we have large balances." Having thus detected the fraud through which I had sacrificed my stock, and still having confidence in the mine and in the truth of Superintendent Fair's official reports, I re-purchased my shares at an appreciated cost of over \$50,000.

I did not hesitate, and I should have been wanting in self-respect had I hesitated, to denounce this trickery of Mr. Flood, first to himself, and publicly whenever the subject was reverted to. I did claim, and still claim, that I had and have the legal and the moral right to demand that he should make good to me every dollar of that loss. For him, after reaping the profit of his perfidy, to offer, as an excuse for his prevarication, "that I had spoken disrespectfully of him, and that it was an insult for Mr. Dewey to ask him for information which would be withheld from other stockholders," is a cowardly subterfuge.

Pertinent to this is the query, What right had Mr. Flood, as trustee of the company, to have withheld at such a time, any information concerning the mine or its affairs from any stockholder?

THE FALSEHOOD AS TO SHORTING SHARES ON DIVIDENDS.

As to the allegation that I made, or ever said that I had made, losses of \$75,000 or \$86,000, or any other sum, by shorting shares or dividends, it is a malicious fiction, without a shadow of foundation in fact. I never in person or through any agent or other party, for my-

self or any other person, sold short a share of the stock or dividends of either of the bonanza mines, nor of any other mine. It is scarcely necessary for me to suggest that had I so done, the author of this spiteful falsehood would not have contented himself with the mere assertion, but would too gladly have given time, place or circumstance as evidence of its truth. As to my dissatisfaction or "howling with rage," as they express it, at the large shipment of bullion, the answer to that is that there has not been a time from the date of my first purchase of shares in January, 1875, to the present moment that I have not been a shareholder and proprietor in these mines, having a direct pecuniary interest in their prosperity. Of the large shipment referred to I received my pro rata in dividends, the emotional effect of which would naturally be the very reverse of that so grossly expressed. The assertion was an effort of the imagination to supply a deficiency of facts, and was as inconsistent as was the statement about losses made in shorting, which first was \$75,000 lost in shorting dividends, and then \$86,000 in shorting shares.

THE ANNUAL MEETING OF JANUARY, 1877.

To the fifth allegation, "that as a mode of compelling Flood to reimburse his losses, and taking advantage of an era of bad feeling generated by a falling market, Mr. Dewey attended the annual meeting of stockholders on January 11, 1877, as a friend of the public—who were abundantly content with the princely return their investment was yielding them and did not desire his championship—and there opposed every motion made by the bonanza people and offered counter resolutions himself," my answer is, I did attend that meeting in my own interest and in behalf of many shareholders who had suffered bitterly from the wrongs of the managers, and who had advised with me as to their redress. I went there to contend for the cause of right, expecting abuse and insult. I went there to demand reform and honesty of administration, and to expose fraud and falsehood. My own personal grievances or claims upon Mr. Flood it was not possible for me to satisfy by any proceedings before such an informal tribunal, and nothing that was said or done at that meeting warranted such an assumption. If in my purpose and my acts I had been restrained by no higher motive, I at least had sense enough to know that Mr. Flood was a moral pachyderm whose sensibility was not to be stimulated to the point of justice by any ordinary sense of shame or fear of exposure. I went to that annual meeting because, after having been deceived and defrauded, I had become distrustful of all that had emanated from the bonanza firm or any of its members, official reports and statements of

every character, and so distrusting, I had made investigations into the management of the affairs of the company by the firm, and of the wrongs perpetrated by its members. That investigation had disclosed a system of violations of trust, of nefarious schemes for personal aggrandizement, and of heartless cruelties sufficient to consign the perpetrators to general execration. I had possessed myself of information concerning the general condition of the mines and the mode of working them, of the enormous profits which the firm were making to themselves collaterally, and which of right belonged to all the shareholders, and of the firm's tricks of manipulation in the stock market, whereby the community was being impoverished and the firm enriched, and hoping by the exposure of such existing offences to prevent the continuation of them, I determined, in the interest of all concerned, to assert the rights of shareholders. There were good reasons for that "era of bad feeling" and that "falling market." Every act of the administration had been a movement for personal profit, and not for the common good. Whatever was of interest to the shareholders to know was by the managers concealed, if it was to their interest to conceal it. When, in the course of explorations by the diamond drill, or by new crosscuts, drifts or winzes, it suited their policy to prohibit examination of the mine, they exercised that power. The condition of the mine from week to week, or month to month, was unknown except to them, save only so far as the meagre and stereotyped letters of the superintendent gave to shareholders unimportant statements. No maps, plans or data were accessible. Shareholders were subjected to uncertainties of every kind, as suited the purposes of the managers. In fact, although the company owned a property having, down to the beginning of 1876, a market value of fifty millions of dollars, and employed and paid its directors to manage it, the affairs were from the beginning conducted as though the officers were the masters and not the servants of the corporation.

So soon as it had become demonstrated by the secret use of the diamond drill that the development of ore was both rich and extensive, upon the milling and reduction of which great profits would be made, the firm organized and incorporated themselves into a corporation, under the name of the Pacific Mill and Mining Company.

Then, as trustees of such mill and mining company, they contracted with themselves as Trustees of the Consolidated Virginia Mining Company, without the knowledge or consent of its shareholders, to mill and reduce the ores of said mine at a charge of \$13 per ton, reserving to themselves as a milling company the slimes and tailings, while the

actual cost of such milling and reduction did not, and could not exceed six dollars per ton.

This contract was made in face of the fact that the mining corporation was then in possession of abundant means, paying regular dividends, and could have constructed with a single month's product, works sufficient to reduce all the ores produced by the mine.

It having become evident that the removal of so large a body of ore would require the substitution in its place of a solid filling of hewn timber, to the amount in board measurement of not less than fifty millions of feet; and that great profits could be made out of the company by contracts for supplying the same, the four members of the firm organized and incorporated themselves into a corporation, by the name of the Pacific Wood, Lumber and Flume Company, and contracted with themselves as trustees of the Consolidated Virginia Mining Company, to supply, at enormous profits, to the Pacific Wood, Lumber and Flume Co., all wood and timber required in and about the mine.

As an interesting fact relating to this milling of ores and supplying timber, I present the following sworn statements of Mr. Flood, while under examination in the United States Circuit Court for the District of California, in a suit therein pending against the Consolidated Virginia Mining Co., J. C. Flood and others, to set aside a fraudulent deed obtained by Flood, for part of the bonanza mining ground.

The testimony was by question and answer, and was as follows:

FLOOD'S TESTIMONY.

Question. What is your name, age, occupation and place of residence?

Answer. My name is James C. Flood; my age, 50 years and upwards; my occupation, a banker; my residence, San Mateo.

Q. In estimating net receipts of the Consolidated Virginia Mining Company, what are the expenses that are deducted?

A. The mining expenses, milling, wood, taxes, and all expenses connected with the mine.

Q. At what mills has the work of the Consolidated Virginia been done within the past two years?

A. I believe at the Pacific Mill and Mining Company, at their mills.

Q. Who are the owners of the Pacific Mill and Mining Company?

A. Mackay, Fair, Flood & O'Brien, are the principal stockholders.

Q. Where does the company procure timber for the purposes of the mine?

A. Sometimes from the Pacific Wood, Lumber and Flume Company, and sometimes from Yarrington & Company.

Q. Who are the owners of the Pacific Wood, Lumber and Flume Company?

A. Mackay, Fair, Flood & O'Brien are the principal stockholders.

Q. From what source does the company procure water?

A. From the Virginia and Gold Hill Water Company.

Q. Who are the owners of the Virginia and Gold Hill Water Company?

A. It is an incorporation; the principal stockholders are W. S. Hobart, John Skae, Mackay, Fair, Flood & O'Brien, and others; I forget the others.

Q. Who are the trustees of the Pacific Mill and Mining Company?

A. Mackay, Fair, Flood & O'Brien and Wallace.

Q. Who are the trustees of the Pacific Wood, Lumber and Flume Company?

A. Mackay, Fair, Flood & O'Brien and Follis.

Q. Who are the trustees of the Virginia and Gold Hill Water Company?

A. Mackay, Fair, Flood & O'Brien, Hobart, Skae and Wells.

Q. Is there any other corporation from which the company draws supplies of any character of which Mackay, Fair, Flood & O'Brien are not the trustees and principal owners?

A. I don't know of any.

Q. Is the California Mining Company's ore also reduced at the mills of the Pacific Mill and Mining Company? Do they procure their lumber also from the Pacific Wood, Lumber and Flume Company, and their water supplies from the Virginia and Gold Hill Water Companies?

A. Yes.

Q. How long have these companies done the work, and supplied timber and water to the Consolidated Virginia Mining Company, and the California Mining Company?

A. I can't state the exact time; the water company has supplied them with water ever since I have been a trustee, and the Pacific Wood, Lumber and Flume Company with wood since its organization, and the same as to the Pacific Mill and Mining Company.

Q. You say since, you have been a trustee—a trustee of which company?

A. A trustee of the Consolidated Virginia Mining Company, and of the California Mining Company.

Q. What has become of the slimes and tailings from the Consolidated Virginia Mining Company and California Mining Company ore reduced at the mills of the Pacific Mill and Mining Company?

A. There are two terms used there; one is slimes, and the other tailings; I know a part of the tailings are run off with the water company's water; the slimes belong to the mills.

Q. What finally becomes of the tailings?

A. They are caught in reservoirs and otherwise, dried and worked again.

Q. For whose benefit are these tailings caught, dried and worked again?

A. For the benefit of the different mills of the Pacific Mill and Mining Company.

Q. Then, I understand you, all tailings and slimes belong to the Pacific Mill and Mining Company, and the companies to whom the rock originally belonged lose all title or claim thereto, after the same has once passed through the mills of that milling corporation?

A. Provided the mills return the proper percentage to the companies.

Q. Well, provided the mills return the proper percentage to the companies, what then?

A. It belongs to them.

Q. What is the proper percentage?

A. I understand it is sixty-five per cent. of the assay value.

Q. By what right do the Pacific Mill and Mining Company claim the ownership of the slimes and tailings from the ores of the Consolidated Virginia and California Mining Companies?

A. I don't know whether it is by contract or custom; I think by custom.

Q. Have any of these slimes and tailings been worked over by, and for the benefit of the mills?

A. Yes.

[Signed.]

J. C. FLOOD.

Notwithstanding that these selfish and illegal acts, when known, were subjects of grave dissatisfaction by shareholders and were criticized by the press, no practicable opportunity existed for expression of disapproval except at annual meetings, which were by law required to be held. From January to January, therefore, the firm pursued their unlawful and dishonorable schemes of personal profit, regardless of complaint and defiant of exposure. Starting out with the exaggerated annual report of the superintendent, they commenced and kept up the

sales of shares, and, by an organized system of manipulation of the market, loaded the public. At the commencement of the year 1876, to stimulate buyers, and to strengthen the firmness of holders, common report from some mysterious quarter gained credence, and was allowed to be published, without contradiction, that the managers of the mine intended to produce from one month's working of ore the enormous sum of ten million dollars in bullion, which would be placed on exhibition at the Centennial, just to show the world at large what was capable of being done whenever the powers willed it. As to production of bullion, it was declared to be limited only by milling facilities.

In the Stock Exchange, of which Mr. Flood was a member, the market price of shares was governed entirely by his manipulation, not in person, but through the chief broker of the firm, aided by numerous subordinates, who, from time to time, according to the line of policy at the moment, established the rate by wash sales, that is, by purchase and sale of shares to each other. The magnitude of these operations, including fictitious and *bona fide* transactions, is indicated by the fact that the firm's chief broker retired from business with a fortune of half a million dollars; and considering that his principal business was transacted through fellow-brokers with whom he divided commissions, and that the rates paid did not exceed one-eighth to one-quarter of one per cent., the transactions represented purchases and sales amounting, at the lowest estimate, to several hundred millions of dollars. To promote and assist the operations in the Exchange Board, the bank controlled by the firm was made a convenient adjunct in making and unmaking loans upon shares.

While the firm were sellers and the public eager buyers of shares, the bank was liberal in loans on margins.

When public exhaustion begins to be manifest, and cross orders and wash sales and building bids fail to draw *bona fide* purchasers, the firm's sustaining influence by simulated purchase of shares is withdrawn. A few hundred shares are thrown upon the market and the price is washed down as fraudulently as it had been washed up. Alarm at diminishing margins turns the public into sellers, and as the price of shares depreciates without known cause, imaginary fears arise, a panic is precipitated and the timid unconsciously aid in their own ruin.

The bank now gives the *coup de grace* by announcing a reduction of advances from twenty to thirty per cent and demanding from outstanding borrowers the additional margin. Few of the host of enthusiasts that crowded the market in January are able to respond to this call in

May. Tears and entreaties avail nothing. The bank is a corporation—it has no soul—Flood, locked in retirement, where even conscience may not reach him, closes his eyes to the torture of the throng his Juggernaut is crushing and deafens his ears to the wails of a thousand victims.

The bank and the broker close out the depleted accounts, the bonanza firm affect to stay the panic by buying the shares at the price advanced upon them, and the slain and wounded disappear from view, giving place to new venturers tempted by the diminished price and the liberal advances. Again and again, three or four times yearly, was this depleting process repeated and always with the same result—the public growing poorer and the firm richer.

A STEADY DEPRECIATION.

The following table exhibits the steady diminution of the value of shares during that year 1876, the number of shares sold, and the highest and lowest prices in each month of that period:

Shares Consolidated Virginia sold each month, and highest and lowest prices.

MONTH.	1876.		
	Number of shares.	Highest.	Lowest.
January	51,400	\$96	\$82
February	26,905	90	81
March	110,130	93	83
April	45,845	86	70
May	15,427	75	71
June	30,748	75	56
July	89,255	61	45
August	42,332	60	51
September	48,310	60	52
October	51,270	57	47
November	107,098	52	42
December	124,135	48	35
Total	742,945		

That 750,000 shares of a company, whose entire capital stock was 540,000 shares, were sold within twelve months, shows the extent of the manipulation.

CALIFORNIA'S PROSPEROUS YEAR.

Through all that year and the year preceding, the most prosperous period in the history of the Pacific coast, that firm had preyed like a pestilence upon the fatness of the land. The prosperity of California and Nevada, as indicated by material production in every avenue of industry, had been unparalleled. The seasons had been more than usually favorable, immigration from less favored regions had been enormous, and everything betokened vigor and abundance.

Forty million cents of wheat had been produced, and a surplus of half that amount exported. A hundred million pounds of wool had been produced and exported. The vineyards of California had yielded twenty million gallons of wine, and the mines of precious metals of the two States had yielded a hundred and thirty millions of dollars Merchandise to the value of sixty millions of dollars had been exported by sea, and seven hundred millions of feet of lumber had been produced for export and consumption. The assessed value of real and personal property in San Francisco had increased to six hundred millions of dollars, and her population to three hundred thousand souls. In California, the immigration had exceeded the emigration by one hundred thousand.

These were well-known facts, and the intelligent and enterprising men of the coast expected great results to follow. It was regarded as one of the laws of political economy that such causes must be followed by general individual as well as aggregate prosperity, and that new enterprises would spring into existence, and old ones become more deeply rooted. Instead of this, however, and to the astonishment of every thoughtful mind, a condition the very reverse of what was looked for manifested itself. General business stagnation and individual distress, never before witnessed in California, spread a gloom over the State, and cast a shadow upon a thousand homes. How destructively adversity strode upon and defaced the path of prosperity will be remembered by many residents of California who witnessed the common distress that prevailed at the end of 1876 and beginning of 1877. The cessation of dividends, which for the first four months of 1877 were withheld from the shareholders, following directly upon the cruel manipulations of the Stock Board by the bonanza firm, made that holiday season one long to be remembered as a period for condolence and not for congratulation.

THE DESOLATION THAT FOLLOWED.

In contrast with the hopeful enthusiasm created by the advent of the bonanza in 1875, the following picture of desolation existing a year

later was drawn in one of the journals of the day :

"During the past six months a novel scene has been witnessed in San Francisco. Thousands of hungry men, women and children have been saved from starvation and nakedness only by the hand of charity. Had it not been for the benevolent associations, aided by the generous contributions of a few big-hearted men and the pious help of the kind women in the churches, there would have been experienced, right here in this land of plenty, such misery, destitution and calamity as would give the lie to the boasted opulence of California. During the month of February, a single benevolent association, sustained by private contributions, supplied, gratuitously, at its own eating-house, 20,000 meals to hungry applicants and lodgings to 416 homeless persons, and contributed aid in money, clothing, fuel and provisions to 550 families, averaging five persons each. Of these latter there were 134 families of previously independent station in life, and who, for the first time, were driven to accept the bread of charity. During the present month the same institution has furnished meals at its own table to over 1,000 persons daily, while the number of families seeking relief, and the number of applicants for lodgings, clothing, food and medicines have been far beyond the ability of the institution to supply. Other institutions, and the ladies and members of churches of various denominations, in like manner have devoted their time, services and money to the work of charity, and daily dispensed, in the church and from their private residences, food and clothing to thousands of worthy poor, whose necessities made them willing recipients. There is scarcely a decent dwelling in the city that has not been visited daily by some humble, hungry supplicant, craving a meal or a cast-off garment. Added to this

"WIDESPREAD POVERTY

"And distress, almost every well-to-do citizen has, within his own personal knowledge instances of private need and suffering among those whom fortune has not always frowned upon, and whose pride and position make the pangs of poverty keen and unbearable. Many a dollar has been given to, and received by those who, in former days, were accustomed to bestow liberally from their own abundance. That all this manifest and unusual distress was not fictitious, nor a mere common phase of all metropolitan experience, was demonstrated by the fact that when it was announced that a dollar a day would be paid to all who wanted work with the pick and shovel in grading the rocky hill-side on Mission Bay, thousands applied in the midst of a pelting rain, many of whom had never done work outside of an office, counting-room or workshop. Even in those walks of life where fortune had been most bountiful, retrenchment, economy and self-denial of accustomed luxury, have become notably conspicuous. Elegant homes have been surrendered for those less pretentious; fine equipages have been sold, or stored, because unsalable; servants and employes have been reduced in numbers; and in many other ways has proof been manifest of lessened income and consequent retrenchment. Never before were so many costly and elegant dwellings for sale as for a year past have been found on the books of real estate agents. Buyers have been as scarce as sellers have been numerous. Homes which cost thirty thousand, fifty thousand, even a hundred thousand dollars, have been, and are in the market seeking purchasers at two-thirds or even one-half their cost.

"GENERAL INDUSTRIAL STAGNATION

"In the manufacturing industries and in those various fields of enterprise which ordinarily create wealth and give employment to many, dullness and stagnation have prevailed, making inroads upon capital invested, until closed doors have told of the misfortune that had fallen upon both capital and labor. Not alone in this city is this melancholy situation of affairs to be found. Throughout the State and in Nevada the general condition of the public seems to have got on the down grade. Dullness and idleness prevail, and thus thousands who have neither means nor employment, are living upon the bounty of those who have. The farmers, who should be, and generally are the most independent and prosperous of people, are staggering under loads of debt. The country merchant fails to pay the city creditor who supplied his stock in trade. The city merchant finds it impossible to collect outstanding bills, and trade is dull and languishing. The banks are forced to give liberal and renewed accommodations, whereas formerly large balances attested the success and the independence of their customers. The whole history of California will not furnish so many individual cases of

"MISFORTUNE, MORAL TORPITUDE, DISHONOR AND DEATH

"Traceable to one event, as during the past three years have been the direct result of the bonanza discovery and of its inflated presentation to public notice, and of the merciless stock jobbing of its management. Large fortunes, acquired through years of legitimate pursuit, and ranging through the scale of figures from the thousands up to the millions, have melted away down to the bed-rock of bankruptcy. Lesser accumulations, but great to the possessors, being their all, have been gathered into the same gulf of accumulation. A hundred thousand men and women of all conditions, grades and stations, have for three years served a slavery of dependence upon the mercy or the greed of those Molochs of the market. Stripped of all, the victim of to-day has gone back to fields of industry, to glean wherewith he might renew the struggle, hoping always vainly in the same mad effort to recuperate his wasted fortunes. Each successive attempt has but repeated the experience of the former ones. All have shared a common fate.

"The registered failures in 1877 in California (following that year of California's greatest abundance, 1876,) amounted to \$12,736,276, being more than that of all the preceding years in her history, and one hundred millions of dollars will not pay the amount of the mortgages that cover, at this time, the private property of the people of this coast. Perhaps the loss of money to the individual members of the community who have suffered is among the least of the evils that resulted. Demoralization of society has left many a scar which no recuperation of fortune can heal. Defalcations and breaches of trust in quarters formerly above suspicion have tarnished the reputation of the people. Dishonesty and fraud, growing out of losses unbearable to weak minds, have become common occurrences in our criminal jurisprudence. Suicide has almost become an epidemic. Within the period of three years, according to the official report of the Board of Health, two hundred suicides have occurred in this city. In every five and a half days one unfortunate has despairingly preferred to try the unknown rather than bear the ills he had. The cause most common, and which has become stereotyped on the public mind, is in the brief phrase, "losses in stocks." More precious still than fortune or life, virtue, in all its sacred obligations, has

been undermined, until it has sunk into the mire of infamy. Women, pure and inexperienced, have shuddered at the brink of financial catastrophe, following the ill-success of secret ventures, and fearing to confess losses which might cost a husband's confidence, have yielded all,

"ACCEPTTING SHAME AS THE PRICE

"Of pilotage out of trouble. To day the men who have for three years so warped the fates and depleted the fortunes of the people of this coast are credited with a combined fortune in available assets of over one hundred millions of dollars, or a larger sum than the entire gross product of the bonanza mines. At the date of the bonanza discovery they were in debt. Colossal as that fortune now is, it should not be to them a treasure bearing peace and consolation. Every dollar has cost some poor soul a drop of blood or a tear of agony. Mercy, magnanimity and nobleness of character are to them qualities unknown. In their stead, cruelty, arrogance, conceit and cunning are their synonyms. When, at one of the annual meetings, some victimized shareholder ventured to complain of concealments and misrepresentations which had induced him to make what he deemed legitimate investments, by which he had suffered heavy losses, he was sneeringly met with the response from one of the bonanza firm: 'If you gamble in stocks, you should not squeal if you lose your money.'"

Facts like these startled the community, and set thinking men to pondering upon the mystery of the ruin. Investigation into hundreds of individual cases disclosed the fact that the prevailing poverty and distress had resulted from losses of moneys invested in the bonanza mines. From Oregon to Mexico, from the ocean eastward to the desert, in every city and town, in every valley where the golden sheaves had stood the thickest, on every hillside where the vine had filled to overflowing the cellar and the wine-house, the blight of the bonanza had spread its poison like the mildew and the upas.

The farmer and the merchant, the laborer and the mechanic, the tenant and the landlord, all had been lured, by the glowing promise of substantial returns, to invest the fruits of honest labor in bonanza shares. Those who had bought on margins, constituted an army of bankrupts. A few, whose resources and prudent habits, had led them to limit their purchase of shares to what their ready money would pay for, found that the market value of shares had depreciated more than the total amount of dividends received; the dividends having been distributed and received in the seductive guise of income upon capital, and not as installments of the capital itself. The lives of the bonanza men were thought to be in jeopardy at the hands of men desperate from losses through their instrumentality.

Apprehensively they kept from public view; rarely went out after dark, or trusted themselves alone, whether by day or night. In corrobo-

ration of this shrinkage of capital so invested, it will be only necessary to present the following exhibit of the debit and credit account resulting from the purchase of Consolidated Virginia shares at the beginning of each of the three years of its dividend existence, to wit: January, 1875, January, 1876, and January, 1877, and supposing the shares to have been held to December 1st, 1878.

THE "PRINCELY RETURNS."

In January, 1875, the shares sold at \$140, in 1876, at \$95, and in 1877, at \$55, and December 1st, 1878, at \$8. The Consolidated Virginia commenced payment of three-dollar dividends on 108,000 shares in May, 1874, and paid consecutively ten of such dividends; and in March, 1875, increased the same to \$10 on 108,000, and continued such dividend—or \$2 on 540,000 shares, as subsequently subdivided—to April, 1878, with the exception of an omission of four months, to wit: January, February, March and April, 1877, and in May and June, 1878, paid dividends of \$1. Making the exhibit of cost and receipts per share on the basis of 540,000 shares, into which the capital stock is now divided, and computing interest on the cost price, and likewise on the dividends received at the rate of 10 per cent. per annum, compounded every six months, the purchaser's account would appear as follows:

FIRST EXHIBIT.

Cost of share, January, 1875.....	\$140 00
Interest to December 1st, 1878	65 20
Total cost of share.....	205 20
Dividends received.....	\$71 20
Interest on dividends.....	15 46
Present value of share.....	8 00
Total receipts per share.....	94 66
Loss per share.....	\$110 54

SECOND EXHIBIT.

Cost of share, January, 1876.....	\$95 00
Interest to December 1, 1878	31 29
Total cost of share.....	\$126 29
Dividends received.....	\$50 00
Interest on dividends.....	7 79
Present value of share.....	8 00
Total receipts per share.....	65 79
Loss per share.....	\$60 50

THIRD EXHIBIT.

Cost of share, January, 1877	\$55 00
Interest to December 1, 1878	11 31
	<hr/>
Total cost of share	\$66 31
Dividends received	\$26 00
Interest on dividends	2 13
Present value of share	8 00
	<hr/>
Total receipts per share	36 13
Loss per share	\$30 18
	<hr/>

These exhibits furnish all the answer necessary to the boastful falsehood that "shareholders were content with the princely returns upon their investment." Notwithstanding the almost universal disaster that had attended every investment in bonanza shares, the belief prevailed that their gradual depreciation in market value was due solely to the manipulations and stock jobbery of the bonanza firm; and the real extent of the ore, and the falsity of the superintendent's reports concerning it, were not discovered till long after the "era of bad feeling," and the annual meeting of January 11, 1877. In December, 1876, 125,000 shares of the stock, which, as will be seen by the table, sold as high as \$96 in the January preceding, were sold at the San Francisco Stock Board, and at a price as low as \$35 per share. The "era of bad feeling" had come, and its bitterness permeated every stratum of society. It was under such a state of affairs and feeling that the period of the annual meeting arrived.

WHAT WAS DONE AT THE ANNUAL MEETING.

Being personally cognizant of many individual cases of distress arising out of losses in bonanza shares of the accumulations of years of industry and good fortune, knowing the general financial distress that existed in this city, hearing constant expressions of dissatisfaction and indignation at the management of the bonanza mines, and having experienced the trickery and falsehood which characterized the Managers' method of accumulating money, I openly announced my intention to attend that annual meeting, and, in behalf of the shareholders, to demand reforms that were just. I carried out that purpose, and, in company with the Hon. James White, an English gentleman of wealth, and for many years a member of Parliament, and a large shareholder of bonanza shares, and who, after an examination of the resolutions which I proposed to offer, had agreed to second their adoption, attended and

took a prominent part in the proceedings. I made no demands but such as were rightful ones, and I succeeded better than I had anticipated. The meeting being held in the company's office, with capacity to accommodate only a hundred persons, while the shareholders numbered thousands, it was an easy matter for the firm to pack so small an apartment with subordinates and hirelings to make a show of support to their administration. Notwithstanding this, the intelligence of many who were present was sufficiently potent to aid me in securing the adoption of some resolutions of reform, and the defeat of others, in the interest of the firm, that were too gross for decency.

I exposed the fraudulent contract, made by the managers with themselves for the reduction of the ores, whereby shareholders were robbed of many millions of dollars.

I procured the adoption of a resolution that the managers should cause to be made and published monthly statements of the financial condition of the mine; also, a resolution requiring maps and plans of the mine to be prepared, and placed in the San Francisco office, and corrected monthly. It took a year for the firm to comply with that order.

I defeated the resolution offered in their behalf, and without the preliminary step of any investigation, that "the shareholders confirm, approve and legalize every act and thing done and contract made by them during the preceding year," and which I opposed because, if they had done anything illegal or wrong, they should be held responsible, and if they had not, such an ironclad resolution was superfluous.

Though I did not gain for shareholders all I would like to have gained, I accomplished something beneficial, and by exposing the frauds and falsehoods of the managers, put the public upon their guard against further deception. I thought that I had thus completely drawn their fangs, and made them powerless to poison. In that I was mistaken. The missive which has drawn from me this reply, denotes that venom is in their very breath.

If in the resolutions, remarks or proceedings on my part at the meeting above described, there was anything improper or indecorous, or that was not for the equal benefit of all the shareholders I confess my inability to detect it. The denial of Mr. Mackay at that meeting of the use of the diamond drill, was subsequently shown to be a deliberate misrepresentation, as proved by these official letters of Superintendent Fair:

From letter of August 6th, 1876.—"On the 1700 level we have commenced drilling from the west crosscut toward the bottom of the south winze; when in twenty feet the drill broke and is now being repaired."

From letter of August 10th, 1876.—"The west crosscut on the 1700-foot level has been extended as far as it was safe to run, until the water at the bottom of the mine, below the 1550 is drained. To accomplish this, the drift has been stopped, and a diamond drill started to bore through to the bottom of the winze to tap the water."

From letter of August 13th, 1876.—"Nothing has been done on the 1700-foot level. The drill will be repaired in a few days, when work will be resumed."

As both Mackay and Fair were in constant attendance at the mine, and almost jointly performing the duties pertaining to the superintendency, the false statement by the former concerning the use of the diamond drill, has not the possible explanation of ignorance of fact.

The following extracts from a report of the proceedings of the annual meeting held January 11th, 1877, and my action thereat, published on the following day in one of the leading San Francisco papers, will serve to show the spirit that actuated myself and others on that occasion; and the arrogance and insolence of both Flood and Mackay toward any stockholder whether foreign or domestic, who ventured to criticise their administration:

"ANNUAL MEETING OF CONSOLIDATED VIRGINIA STOCKHOLDERS.

"The annual meeting of the Consolidated Virginia Mining Company was held at their offices in the Nevada Block yesterday. It was attended with considerable excitement, the fall in the stock, and the intermitting of the December dividend having caused a deep and earnest feeling of dissatisfaction among the stockholders.

The secretary read the minutes of the last meeting, and presented the report of the superintendent. Mr. Dewey then rose and said: "My only regrets are, first, that these facts were not given to the public a month ago, strengthening the stock and preventing the terrible sacrifice so many of the shareholders have been made to suffer; and second, that the report does not embrace the workings of the diamond drill, about which so much anxiety is felt by the shareholders, who feel that its operations and disclosures are reserved to the benefit of the managers alone. We are entering upon a new year, and I trust a new era in the management of the company's affairs. What we want most is information—all the information that exists from day to day regarding the developments of the mine. This, stockholders have a right to demand, and this alone will give all an equal chance, and preserve them from becoming the prey and victims of designing stock manipulators. At the proper moment in the proceedings of this meeting, I propose to offer a resolution or two on this subject of information, which I trust will receive your support and approbation.

"THE DIAMOND DRILL.

"Mr. Mackay here stepped to the front and said that, so far as the diamond drill went, there had not been a diamond drill used in the mine below the 1500-foot level, and therefore Mr. Fair could not have reported anything respecting it.

"Mr. Dewey—When it was supposed that a dividend would lapse, a note was addressed to Mr. Flood by a newspaper proprietor in the city asking if the surmise was true, and he refused to respond.

"Mr. Flood (in great anger)—I have not withheld any information that I was able to give. I think I know the reason of Mr. Dewey's attack on me here. He is an enemy of mine, and came here expressly to insult me.

"Mr. Dewey—That is false, sir, and you know it.

"Mr. Flood—It is not false. You have said on the street that you had lost \$70,000 on this stock, and you intend to hound me until you got it back.

"Mr. Dewey (excitedly)—That is false, too, sir. What I have said, and I say it now, is that I have lost \$50,000 by a falsehood that you told me, sir.

"AN ENGLISH HEART OF OAK.

"Mr. White—who, it may be here stated, represented Brighton in the English Parliament for sixteen years, and who purchased \$200,000 worth of California and Consolidated Virginia stock when in the 80's—here came to the front. His long hair, among whose gold there were many silver threads, gave him a Druidical appearance and won him the instant attention of the meeting. He said that he appeared in his own behalf, and in behalf of numerous English stockholders who were dissatisfied with the course of the bonanza managers. They had kept their affairs too secret, a method of transacting business quite inconsistent with British frankness.

"To this Mr. Mackay warmly replied that an Englishman could know nothing about the working of an American mine. Those who were so much given to blowing about the mine ought to come to Virginia and try to run it themselves.

"Mr. Dewey read the following :

"*Resolved*, That the directors be instructed to make, or cause to be made and published, monthly statements of the financial condition of the mine, showing its receipts and expenses with the balance to debit or credit at the end of the fiscal month.

"Mr. Dewey—The business of this corporation is very great. Its receipts and expenditures amount to more than that of half the States in the Union. Its magnitude is only partially understood. Many people are blindly willing to trust everything to its managers. [Mr. White—I hear, hear.] It is proper that information regarding its condition should be in the hands of the public, and especially of the stockholders, who have a right to demand it, and that can be imparted in no better manner than by a monthly official showing of receipts, disbursements, debits and credits.

After some discussion, the resolution was passed.

"Mr. Dewey then offered the following :

"*Resolved*, That the trustees be, and they are hereby authorized and instructed to procure and deposit with the secretary full, true and correct copies of all exist-

ing and future surveys, plans and drawings of the underground workings of the mine, and to keep the secretary fully informed as to the condition and prospects of the mine, and that they direct him to exhibit such plans and drawings and surveys, and to impart all official information to any stockholder during business hours, when requested so to do

"Mr. Dewey went on to say that in all the mines with which he had ever been connected as director or chief officer they had always had plans and drawings showing the working of the mines, corrected from day to day, illustrating the sinking of winzes, the running of drifts, etc. These enabled the stockholders to watch the progress and development of the mines, and correct all misrepresentation likely to do them injury. He continued his remarks as follows :

"OBJECT OF THE RESOLUTION.

"The object of the resolution is to establish a bureau for information where every stockholder shall be at liberty to go for official information concerning the condition and prospects of the mine. Private or personal statements made by individuals, whether in the management or out, do not suffice ; on the contrary, they are detrimental to the general mass of stockholders. A few importunate or favored ones may be benefited, while the many, who are equally entitled to information, learn but little of the affairs of what may possibly affect their entire fortunes. Added to which, the system of imparting private and individual information leads to misrepresentation and suppression of truth by the party especially favored. What one has a right to know is equally the right of all, and no statement can have such weight with the shareholders as that which is official. Who does not know that the want of official information respecting the mine and its prospects has within the past ninety days depreciated the value of the stock of this company many millions of dollars, and caused the ruin of hundreds ? Who does not believe that this ruin would have been averted by an official statement that the stoppage of dividends was the result of temporary causes only, and not from impoverishment of the ore body, as was publicly and continuously asserted by persons interested in depreciating the shares for stock-jobbing purposes ? Had the secretary, under authority such as is embodied in this resolution, exhibited to the shareholders full plans of the mine and published candid statements of its condition and of the finances of the company, announcing the fact, which is doubtless undeniable, that so soon as the necessary connections in the mine could be made, involving a period of probably from thirty to sixty days,

"DIVIDENDS WOULD BE RESUMED.

"Under favorable conditions for their continuance over a long period of time, confidence in the mine and its management would have gathered new strength, instead of weakening ; the broker and capitalist would not have pursued the marginal customer ; the panic we have witnessed would have been averted, and many a man and woman now ruined and impoverished by reason of his or her investment in the bonanzas would be yet happy and hopeful of the future, and patient in the present. Considering, too, the fact that it is but a few months since the chief among the trustees of the company, and he who is credited by the public with being the head and front of its affairs, gave publication, through the

press of this city, to these words: 'I tell you, sir, that these mines will pay dividends right straight along, and will continue paying them when those who are maligning them are cold in death,' etc. He certainly owed it to himself, if not to his fellow-shareholders, and especially those who had invested upon the truthfulness of such statements, that some explanation should be given of the causes which produced so serious a falsification of his prophecy. I have great faith in the future of the bonanza mines, and believe that the best portion of their great wealth is yet to be realized. This faith cometh from knowledge not obtainable from official sources, or through the channels of this office, as it should be. Give us faithfully the information called for by our resolution, with an honest administration of affairs at the mine, and I venture the prediction that the value of our shares will enhance as rapidly as they have depreciated under the dark lantern policy.

THE DIRECTORS' VIEWS.

"Judge Heydenfeldt—I am satisfied that the substance of the requisition is not in the power of the stockholders at all. The management is instructed in the nature of its duties by law. They have been duly elected to bear the burdens of office. Even if they are disposed to give way to the fancies of stockholders, they are not sufficiently well informed to have definite views in regard to what they want.

"Mr. Dewey—We merely want information in regard to the mines.

"A voice (excitedly)—Yes, information. Information is what we want.

"Judge Heydenfeldt—You must appeal to the trustees, then, to make an order of that kind.

"Mr. Dewey—The resolution is an instruction which we give the trustees. To say that the power does not rest with the stockholders still, merely because they have elected trustees, is an absurdity.

"Judge Heydenfeldt—It is not law.

"Mr. Dewey—It may not be law; it is certainly common sense. Law is not always common sense.

"A voice—That is d—d good.

"Mr. Dewey went on to say that every stockholder had a right, from day to day, to know what his paid agents were doing, and the idea that any man, or any set of men, had the right to refuse such information, was an absurdity. A man with 100 shares of stock had just as good right to know about the affairs of the company as the man who owned 100,000. [Applause.] He risked his property equally; perhaps ran even greater risks, as what he had invested might be all of his little fortune. To ignore the demand of these people was doing them a great injury.

"The resolution was finally adopted, Mr. Heydenfeldt, representing the Bonanza firm, and voting against it.

"THE NEVADA MILL COMPANY.

"Mr. Dewey—I have another resolution that seems more important than any yet offered. I have considered it of sufficient importance to give it a preamble. It is as follows:

"WHEREAS, the Pacific Mill and Mining Company, which consists of Messrs. Flood, O'Brien, Mackay and Fair, have within the past year erected a large and efficient mill for the reduction of ores, and have used said mill solely for reducing the ores of the Consolidated Virginia mine, at a profit to said mill of about \$600,000 per annum, beside tailings, and at a corresponding loss to the stockholders of the company.

"Resolved, That the trustees be authorized and instructed to enter into negotiations with said mill company for the purchase of said mill at any reasonable price, and that in the event of a failure to effect such a purchase, they be instructed to purchase any other desirable mill property, or cause to be constructed without delay, one or more mills adequate to the necessities of this company.

"Mr. Dewey—The importance of the resolution to the welfare of the company can hardly be exaggerated. Indeed, I may say that its future success depends in a great measure upon its adoption. With this conviction, and knowing to what extent the interests of the company—through the inconsiderateness of stockholders in disposing of their proxies—depend on the favorable action of the men who are at the same time our trustees and owners of the mills sought to be acquired, I venture an appeal to them to favor this resolution; believing as I do, that such an abnegation of personal interests in favor of the company, whose interest they represent, will add to their great wealth that which is of still greater value, the good opinion of their fellow-men, and the gratitude of the shareholders who have so generously confided to them their interests, and so long and patiently submitted to this injustice. [James White—Hear! hear!] Every one at all conversant with the facts, knows to what a fatal extent the mill interest, as it is called, is eating out the vitals of the mining interest on the famous Comstock. Why, sirs, I venture the opinion that but for it the Ophir, the Chollar, the Belcher, would to-day be dividend-paying mines, with a vastly appreciated value in their stock. Why is it that Ophir, with a bullion product of \$2,350,000 the past year, pays nothing to shareholders, while its shares have depreciated during the same time from \$75 to \$17; the whole mine, with \$350,000 in its treasury, selling to-day for less than two-thirds of the year's product, and but little more than the value of its plant? Why is it that the Chollar has for the past five years been made to yield an average of 100 tons of ore per day, and that of a grade just sufficient to pay its diurnal tribute of \$500 a day to this mill interest and nothing to stockholders, while, if the stockholders had owned their own mills, they would have saved, during these five years nearly \$1,000,000, giving a handsome interest on their investment? The Belcher is to-day turning out an average of 200 tons of ore per day, the milling profit on which is over \$1,000 per day, or 33½ per cent. per annum on the present market value of the stock, and yet the stockholder gets nothing. With the Consolidated Virginia the figures assume

"MORE STUPENDOUS PROPORTIONS.

"The company have paid for milling their ores for the past thirty-two months the enormous sum of \$5,320,000, of which fully one-half is a clear profit and should now be in the company's treasury, saving the necessity for suspending dividends, also the great depreciation in the market value of the stock, and the

widespread ruin and distress that have followed. And yet this is not the whole or even the greater part of the losses suffered by these mines through this 'mill interest,' for, not satisfied with the enormous profits made in the reduction, they claim the tailings also, which of right are, and should be, the property of the company. The great value of these tailings will be seen by the following figures and estimates: The bullion product of the Consolidated Virginia mine has been, in round numbers, \$39,000,000; the percentage realized from the mills in reduction averages about 70 per cent. of the assay value, which would give the enormous sum of \$16,700,000 to the tailings, of which probably one-half can be recovered by these mill-owners. Is it not time, then, for stockholders to take action against a system that is so fatal to their interests, and by the adoption of this resolution rid themselves at once of this vampire which is sucking out the very life-blood of the mine, and will soon render their stock worthless? Again I appeal to the gentlemen whose duty it is to represent the interests of all the shareholders to give it their very efficient aid. The great fortunes which they have acquired from mines and mills should now, it seems to me, demand from them this act of justice and a more liberal policy. [James White—Hear! hear!] I have had conversations with the mill men at Virginia on the subject, and have also had an interview with a former Assessor of the revenue in regard to the milling business. He knows, as much as any man, how much it costs. He says that the mill pays for itself every ninety days. [James White—Hear! hear!]

"Mr. Heydenfeldt—We have been here a long time, and are tired out. I am willing to pass anything the gentleman wants if he will complete his labors and let us go home. As a matter of course, nothing that is passed here is binding upon the Trustees. The stockholders delegate their power, and their only remedy is to take care whom they elect. These resolutions are simply mandatory to the attention of the Board, and they won't obey the directions unless they choose to do so. They have been selected on account of their knowledge, ability and skill to manage this business. They know how to manage it, and the stockholders don't know how. At best the resolutions are but advisory.

"The following resolution was presented by Robert Sherwood:

"Resolved, That the thanks of the shareholders are due to the Trustees for their efficient management during the past year.

"Mr. Mackay—By a large majority, as Billy Florence would say.

"Mr. Dewey—The idea of bringing such a whitewashing resolution as that!

"Mr. Mackay—It has been the custom for years.

"James White—Monstrous! Monstrous!! Monstrous!!!

"Mr. Mackay (to Mr. White)—You are not a stockholder?

"Mr. White—Yes, sir, I am, and a large stockholder too, I am sorry to say.

"With this statement Mr. White drew from a pocket of the regulation English size and pattern, a package of crisp certificates, and, walking to the President, waved them like a banner under his nose, remarking: And I have more at home. I just brought these as a sample.

"The following resolution was then presented by E. C. Platt:

"Resolved, That all the matters and things, acts, contracts, transactions and disbursements made and entered into, agreed upon or executed by the Board of

Trustees during the past year be, and the same are hereby ratified, approved and confirmed.

“OPPOSES A RESOLUTION.

“After many interruptions and humorous motions regarding ‘leave to print,’ Mr. Dewey said: ‘I object to the resolution for the reason—which seems to me unanswerable—that if the trustees have faithfully discharged their trusts, there is no necessity for it. If not, they should be responsible for their acts. I do not wish to impeach the motives or honesty of any one connected with the company, or even intimate that the introduction of a carefully prepared legal paper of this character arises from a sense of wrong-doing; but it is liable to such a construction, and I should therefore think the gentlemen would be too high-minded to press it, especially as it is known that many shareholders have the opinion that the contracts of the trustees as such, with themselves as individuals, by which they have realized several millions of dollars of profits, with a corresponding loss of millions to the company, are altogether illegal, and can be recovered by a bill in equity against them. I therefore hope, that in their own interests, they will withdraw it and boldly challenge the consequences of their acts.

“The debate at this juncture became confused, sharp and acrimonious. Mr. White interposed some further remark, to which Mr. Mackay replied that suggestions of dishonesty ill-became him as an Englishman. He (Mackay) was in London at the time of the Flagstaff trouble. He didn’t believe there was an honest man in London.

“An effort was made to check Mr. Mackay, when he replied: ‘All I wanted was to give them a little hint on their side.’

“Mr. White—It is hardly fair to reproach a man on account of his country.

“A Voice—I think you ought to show some courtesy to this gentleman, as he is a foreigner.

“The resolution was rejected, and the meeting finally adjourned.

A few brief quotations from the columns of the press of San Francisco on the subject of that meeting will serve to show what was the popular and intelligent sentiment concerning it.

“OPINIONS OF THE PRESS.

“[San Francisco Post of January 12, 1877.]

“The passage at arms between the stockholders and the management of the Consolidated Virginia Company, yesterday, will go down to posterity as one of the most remarkable meetings on record. Never has plainer talk been crowded into the space of two hours. On the one hand sat the management, coolly conscious of their power, from the fact that in possession lay the nine points of their strength. On the other, the public, stockholders from every station in life. Such a demonstration and such an appeal could not be resisted. Despite the opposition presented by the management, despite the fact that they still retain their positions, despite the arguments brought up by their legal counsellor, certain obligations have been fettered upon them, and the public, therefore, are in a great

measure the victims. We can congratulate Mr. Squire P. Dewey for his manly defence of justice and equal rights. In him the public had a champion of no low degree. All the points made by him were strong ones, all his words were carefully weighed before spoken. His triumph, if anything, was a triumph of intellect. We call to mind the courteous manner of Mr. Dewey, how his thoughts went out and beyond himself and his own losses to defend an injured public, and uphold the sacred position of the press. Quiet and gentlemanly in his retort, the calm earnestness which he threw into his voice when he "belled the cat," was a poniard that stabbed deeper than words hot with anger. One of the strongest points made by Mr. Dewey was when he quoted the words used by the *Post* over a month ago, that a statement should have been made, over the signatures of the managers, to the effect that the condition of the mine did not warrant the panics that raged in the stock market. Superintendent Fair now comes to the front in his annual report and says as much, but this should have been done at an earlier date, when it would have prevented harm being done. The ruin and misery which have since been accomplished can never be retrieved. In regard to the defence presented by the management, and their answers to Mr. Dewey's arguments, we are of the opinion that the shrewd legal position assumed by Judge Heydenfeldt was completely undermined by the hotheadedness of Mr. Mackay. In the latter's eagerness to justify the conduct of the firm, he brought to his aid bad grammar, ungentlemanly retort, and all the conceit which the consciousness of great wealth can inspire. He fittingly concluded his labors for the day by remarking to the reporters in the secretary's room, after the meeting was at an end, that 'he had been there for two hours, and no one had asked him to take a drink.' His uncalled-for fling at an English member of Parliament, who came there to represent the rights of Europe in the matter, was condemned by all who heard it. More than this, it will irreparably injure our mining interests abroad. Mr. White will return to England with an idea of American hospitality and American mining men that he will be sure to ventilate. The stockholders have won two great points—first, the monthly statements of the financial condition of the company, and, next, the maps and charts showing the underground progress of work in the mine. In conclusion, let us say that the public are willing to forget the past, for it can never be brought back for remedy."

" [San Francisco Bulletin, January 12, 1877.]

"The stockholders of the Consolidated Virginia Mining Company were in session nearly three hours, at their annual meeting yesterday afternoon, and considerable crosscutting with words was effected, which will not be found in the report of the Superintendent. A resolution, introduced by Mr. Dewey, that a monthly statement of receipts and expenses hereafter be placed on file at the office here, is a good move. Such a statement will show the financial condition of the company at the end of every month, and, of course, the amount of cash reserve,

" [San Francisco Chronicle, January 12, 1877.]

"When, at the meeting of stockholders to elect officers of the Consolidated Virginia mine yesterday, S. P. Dewey insisted on certain reforms in the management of that mine, such as openness instead of secrecy, the discontinuance of the diamond drill for the benefit of the managers, and the honest monthly statement of its condition and prospects, he was in the straight way of duty to the stock-

holders who have no share in the control of the mine. And when he was interrupted by the leader of the bonanza firm with the coarse remark, 'Mr. Dewey, you have been my enemy for over a year, and you are nothing but a share-gambler,' every outside unprotected stockholder might have felt himself insulted and his rights invaded or threatened or contemned. There can be no better reason given for secrecy on the part of the trustees of a mine than in the management of the affairs of any other sort of corporation. The rights of the least stockholder are in justice entitled to equal respect and protection with those of the greatest. But they have a very wretched protection, indeed, if the majority party alone can have access to the mine, can prospect it with diamond drills, find out all about its resources and capabilities, keep the knowledge exclusively to themselves, and with their hands full of stocked cards and those against whom they are playing blindfolded, come into the market, whether as bull or bear, always standing to win, and never by any possibility to lose. Mr. Dewey but gave voice to the settled conviction of the mass of the people who deal in mines and stocks when he insisted on clear and truthful monthly statements to be published for the enlightenment of all the stockholders of the Consolidated Virginia mine, and when he condemned the secret use of the diamond drill in the exclusive interest of the trustees. He was right in saying that if these demands had been anticipated by the management, millions would have been saved to the people, albeit they would have been lost to the bonanza chiefs. Moreover, his resolution instructing the trustees to secure milling power at a better advantage to the stockholders than their existing milling facilities should not have met with any opposition. If Messrs. Flood, O'Brien, Mackay and Fair, miners, have for several years been giving out very profitable contracts to Messrs. Mackay, Fair, O'Brien and Flood, mill-men, for the crushing of ores, whereby in a single item of tailings the mill-men have realized a large fortune at the expense of the general stockholders of the mine, that is no reason why the wasteful contract should continue always in force. The small stockholders have a just right to their *pro rata* of these rich tailings, and to procure, if they can, the work of milling on better terms than the Contract and Finance Company have been doing it.

"Of course, Mr. Dewey had no expectation of electing the ticket of officers he nominated, but he had of instituting some reforms in the management very much needed; and in this he has succeeded, unless those appointed to execute the matters directed by vote of the stockholders shall neglect their duty.

"Judge Heydenfeldt took it upon himself to justify Mr. Flood's refusal to give an authoritative statement to the *Chronicle* for publication for the information and guidance of the thousands of stockholders who were outside of his (Flood's) circle of personal friends, and who had therefore no means of obtaining the correct information which was their right; and this is the reason Judge Heydenfeldt gave for his client's reticence: 'Such a statement would have favored the bulls in the stock market at the expense of the bears; Mr. Flood was right to refuse.' Was ever such a reason given for the action of a *trustee* and manager of a public corporation in a like situation? Thousands of stockholders, men and women, some with their all invested in the property which it was Flood's duty, as trustee, to guard from damage or depreciation by every effort in his power, were trembling with apprehension, and in too many cases sacrificing their shares, when half a dozen lines from their chosen trustee

and custodian of the property would have reassured them, and (as Judge Heydenfeldt unblushingly stated at this late day) would have checked the bear movement. Rather than check the depreciation of the property in the market, *i. e.*, check the bear movement, the information was withheld. Does not this boomerang of Judge Heydenfeldt strengthen the surmise that the trustees were interested in the bear movement at the time the information was asked for.

"Mr. Dewey's points were evidently well considered and every one told; every shot hit the center, while the random returns of the bonanza people came like a volley from demoralized and panic-stricken troops. Their fire was wild and harmless to the foe, and often damaging to their friends. Mr. Dewey deserves the thanks of every outside stockholder in the Consolidated Virginia and California mines, and of every citizen of California and Nevada who desires a just, fair and honest management of mining and other public corporations. He will doubtless be hounded by the bonanza people and their allies in the press, and though he is abundantly able to take care of himself, the stand he has taken should be supported by a demonstration of public opinion which should convince mining trustees that they are hereafter to be trustees in fact as well as in name, and not use their trust for their own personal and illicit gains by charging double rates for reducing the ores and extravagant profits on all supplies.

" [From the San Francisco News Letter, January 18, 1877.]

"Can any dispassionate man say that certain conduct exhibited at the Consolidated Virginia annual meeting was not deplorable? The making of very natural and proper inquiries was treated as an offence by the high and mighty potentates who consent to manage the mine. It was bad enough that at the meeting referred to almost every inquiry was met with bad temper. It was worse that a prominent San Francisco stockholder, who, up to that time had made use of no irregular language, should be told that 'he was an enemy, and had come to offer insults;' but it was worse than all when John Mackay resorted to a species of bulldozing towards a venerable stranger, the representative of foreign capital. The Hon. James White ought, on many grounds, to have been exempt from such attacks. A man of high character and distinguished services, his name is a household word in England. For many years the representative of Brighton in the House of Commons, he was one of the foremost men in that assembly of the first gentlemen of Europe. This gentleman of respectful demeanor, representing \$200,000 worth of Con. Virginia stock, and speaking in the name of absent foreign shareholders, was treated by the rude-tongued Mackay in a way calculated to disgrace himself, discredit the State, and damage certain mining and banking management. To blurt out that Mr. White, as 'an Englishman, did not understand anything about American mines,' was an impertinence; to assert contrary to the fact that Mr. White was not a stockholder, was to utter—well, let us call it an error. To refuse or neglect to withdraw the statement, upon proof of its falsity, was to act just as John Mackay acted, which was, in truth, what might be expected from a scrub who, raised from nothing, had attained to nothing except dirty purse pride. Then to declare his belief that 'there was not an honest man in London,' was a brutal assault upon the venerable and eminent gentleman to whom it was addressed, a vile libel upon the accepted center of the world's commercial honor, and a vulgar outrage upon the race from which Americans sprang.

"[From San Francisco Mail of January 14, 1877.]

"The proceedings which took place at the rooms of the Directors of the Consolidated Virginia mine, on Thursday, illustrated pretty clearly the feeling of insecurity in the present management which exists in the minds of nearly every one concerned. With the exception of the personal friends of the directors, and those who have shared the spoil with, or are under obligation to them, the tone of the whole meeting was one of resentment and disapprobation. The resolution for the re-appointment of the old Board of Trustees was certainly carried, but that circumstance only goes to show another instance of the power of the directors to control the free expression of opinion. Even that power, however, and all the brazen assurance by which it is backed and bolstered, failed to enable them to pass the impudent 'whitewashing' resolution by which they sought to secure future immunity from the possible result of their malfeasance. There is a limit even to the cheek of a Comstock Director, and the proposer of the resolution al-
luded to shrank abashed and cowed before the indignant exclamation of disgust which naturally broke from the lips of a gentleman present—an Englishman, the holder of a large amount of Consolidated Virginia stock—who could scarcely believe his ears when the resolution was proposed. It was withdrawn shamefacedly enough, but had it even been accepted and carried, it would in no wise have held free from the possible consequences of their acts those who sought to take shelter under it.

Mr. White has been traveling with his family for the past two years in the United States, and finding himself in San Francisco, consented, at Mr. Dewey's request, to attend the meeting and second the resolutions proposed by that gentleman. Mr. White, with many years experience of the orderly and courteous method of conducting public business observed in the House of Commons, must have been very much astonished at the ignorance and neglect displayed by the chairman of the meeting on Thursday, in failing to repress the indecent and outrageous demeanor of Messrs. Flood and Mackay.

"We fear that Mr. White cannot help carrying away with him an unfavorable impression of the courtesy of some of the public men of California; but, as he has made an extended tour of the State, and passed some months in San Francisco, he will probably not form his opinion of society from the specimen he witnessed on Thursday.

"The magnificent Mackay, who is indignant at the public want of appreciation of the disinterested course pursued by his firm in kindly looking after 'Con. Vir.' for the trifling remuneration of about ninety cents out of every dollar it produces, loftily rebukes Mr. Dewey as a 'stock gambler.' There is an ice-clad, altitudinous height of impudence about this that is not readily grasped by the ordinary mind. The four modern representatives of the original forty of Arabian Nights memory, having fallen upon the wayfarer, divided his shekels, and cast lots for his raiment, reproach him betimes for being out over night. A 'stock gambler' is good.

"'The times they are wicked,' says bold Dick Turpin.'

"If Mr. Mackay, who condescends to exist upon an earth not peopled exclusively by millionaires, and who, furthermore, stoops beneath the native dignity of his lofty spirit so much as to mark the cards for the great bunko stock game, is really so tired of 'me and Fair's' ineffectual struggles to give satis-

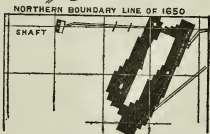
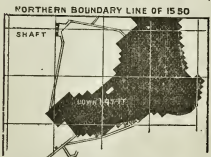
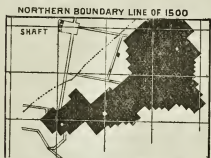
faction, let him resign, and permit the stockholders to try some one else for a little time. Let him take a run over to Europe and appall the 'effete monarchies' of the old world with his wealth and weariness. There is no place like 'the Continent' for the satisfying display of big diamonds and small souls.

WHAT IT ALL MEANT.

The foregoing are sufficient to make it plain, even to the bonanza firm, that I did not stand alone in my judgment of their fraudulent and illegal acts, nor in my indignation at their vulgar and selfish persistence in wrong-doing. I was lenient to them at that annual meeting, and they escaped merited denunciation because I did not then know what was afterwards disclosed, to wit, the extent of their deceptions concerning the magnitude of the ore body. The mine was such a labyrinth of crosscuts, drifts and stopes that, notwithstanding many persons had visited it, any approximate estimate by them of the extent or value of the ore in place was an impossibility. No one, excepting only the superintendent, Fair, and his firm, possessed the measurements and data on which such estimates could be based. Hence it was that he was enabled to utter false statements concerning it, and to embellish his official reports with exaggerated and extravagant declarations without fear of early detection. The absence of official surveys left shareholders dependent for information solely upon the representations officially given. It was to meet this just requirement that I made the demand for the exhibition of maps and plans of the mine. Although, in response to such demand, the managers pretended a willingness to comply, they postponed compliance with so plain a duty for a full year, and until they had been able to take advantage of their own deception by selling to the public, at extortionate rates, the greater portion of their shares. When that convenient time arrived, and the plans of the 1400, 1500, 1550 and 1650 levels, made by James & Wrinkle, mining engineers and official surveyors of the bonanza mines, were hung upon the walls of the office of the company, the mystery of the steady depreciation in market value of the shares was solved. It was plain that the public had, on the basis of official data, overvalued the mine. It was also plainly to be seen by comparison of these maps with the official statements of the superintendent, in his various annual reports, that he had made deliberate misrepresentations, and such as rendered him unworthy of future confidence.

A copy of the northerly portion of these plans (the whole of the bonanza being within the northerly half of the mine) is here given on

a scale of 200 feet to the inch, and attention is asked to the discrepancies between those official maps and the official reports.



Horizontal view of the ore body on the 1400, 1500, 1550 1650-foot levels, made on a scale of 200 feet to the inch. Copied from the Official Surveys of the Mine, made by James & Wrinkle, Mining Engineers, Virginia City, Nevada.

Each square of the diagram represents 100 feet. The shaft is a perpendicular one, and is within nineteen feet of the northerly boundary of the mine. The dark, shaded portions of the diagram represent the horizontal extent of the ore bodies on the respective levels.

Commencing with the 1400-foot level, it will be seen that on this level the extreme southerly limit of the ore is just 300 feet south of the shaft, and that it extends in a northeasterly direction to a point a little more than 100 feet south of the shaft. The average width of this body is about 50 feet. In addition to this main ore body, a small body about 50 feet square lies immediately upon the northern boundary line and is separated from the larger body by about 100 feet of ground, not ore-producing. The actual superficial area of the ore body on this level is 17,000 square feet. Superintendent Fair thus speaks of this level in his official report to stockholders, dated December 31, 1875.

"On the 1400-foot level the ore has been explored south 450 feet from the shaft, and it extends north from the shaft to the northern boundary of the mine. On this level we know the exact width of the ore body.

This language, by an intelligent interpretation, was intended to convey, and it did convey the idea that from a point 450 feet south of the shaft, the ore was a continuous body to the northerly boundary, which is 19 feet north of the shaft, or in other words, that it was 469 feet in extent; whereas the fact, as developed by the plan of survey, shows that it commenced but 300 feet south of the shaft, and was but fifty feet in extent, or less than one-eighth the dimensions of this official misstatement.

1500-FOOT LEVEL.

The survey and the map of the 1500-foot level show that the ore body commences at a distance of 220 feet south of the shaft; and extends to the northerly boundary of the mine, a distance of about 240 feet with zigzag, irregular form, having, for about half its extent, an average width of 60 feet, and at its northerly extremity being about 150 feet square. Three crosscuts, nearly parallel with each other and with the northerly boundary, cross the ore from east to west, and being 100 feet apart, divide the main portion of the ore body into two sections, each of 100 feet extent, north and south. A fourth diagonal crosscut is seen at the extreme southern limit of the ore. The superintendent thus officially describes this level in his annual report to stockholders. In December, 1874, he says:

"This level (the 1500) is now partially explored by cross-cuts extending into the ore body in four different places, each 100 feet apart. The most southerly of these cross-cuts shows a width of ore of 152 feet. The remaining cross-cuts have not yet crossed the ore body; all having penetrated it over 100 and one over 300 feet."

In December, 1875, the superintendent repeated and even enlarged upon the former mis-statements. He said :

"On the 1500-foot level the ore has been traced south for a distance of 480 feet from the northern line, and has been thoroughly explored by cross-cuts from the east wall to the west wall. On this level all the ore is of a high grade, and the width of the body varies from 150 to 320 feet."

The glaring misrepresentations as to this level, now disclosed by the maps, nearly quadrupled the true dimensions of the ore body, both its length and width being more than doubled. The superficial area of the ore on this level, according to the survey, is 36,000 square feet.

THE 1550-FOOT LEVEL.

The total length of ore on this level, as shown by the map, is 250 feet ; width of same, 100 to 200 feet. The deep winze which was sunk 147 feet below this level, is located 160 feet south from the northerly line. Mr. Fair deals with those facts in this manner. In the report of December, 1875, he says :

"On the 1550-foot level a lateral drift extends the whole length of the mine. Starting at the southern boundary, it runs northerly on the east side of the ore until it reaches a point 400 feet distant from the northern line, where it cuts through the clay, and thence passes all the way through ore to the northern line. * * * At a point 320 feet south of the northern line a double winze has been sunk from this level to a depth of 147 feet. This winze has passed all the way through ore of a very high grade, and terminates in ore of the same quality, * * * After connection with the C. & C. shaft is made, I feel safe in saying that our hoisting capacity will be 2,000 tons per day; and as to the supply of ores, we have now in sight in the mine a sufficient quantity to last for many years."

In speaking of this level in his report of December, 1876, the superintendent says:

"The depth of the 1550-foot level, that is, the distance up to the 1500-foot level, is really but 42 feet."

While making the mis-statements of dimensions as to length and breadth of the ore on this level, and of the true location of the deep winze, which was only 160 feet south of the north line, a very impor-

tant fact, which does not appear on the maps, but which is well known—that is, as to the direction downwards of the winze—was concealed by the superintendent. The inference to be drawn from his statements concerning this winze, was that at a depth of 1697 feet, ore of quality equal to the 1550-foot level had been found 320 feet south of the northern line, thus giving assurance of the great depth and length of the rich ore. The fact withheld concerning the winze was that after a perpendicular descent of 75 feet, meeting the foot wall of the bonanza, its course was changed to a northeasterly incline, so as to keep in the ore, which was dipping away in that direction, and its bottom, 147 feet down, was from 50 to 100 feet nearer the northern boundary of the mine than was its top on the 1550-foot level. It was for more than a year subsequently kept half filled with water for no other reason than to conceal from many large shareholders who visited the mine the direction of its inclination, and the disclosed limit of the bonanza as developed by the drill, which had been extensively used at the bottom. On this level the superficial area of the ore body is 38,000 square feet.

THE 1650-FOOT LEVEL.

This level was not opened until the spring of 1877, at which time the drift from the C. and C. shaft reached the ore. The annual report of December, 1877, was the first one in which the superintendent described it. For some remarkable reason the report concerning the ore body on this level is more in accord with the map in the office than any of the reports hereinbefore referred to. He describes it briefly thus :

“ The sill floor of the ore vein on this level has been opened the full width of the vein for the distance of 200 feet from the northern boundary of the mine to the south.”

The map shows the ore body on this level to be about 200 feet in length, and to be divided lengthwise by intervening waste into two narrow and nearly equal strips of ore, each of an average width of about 30 feet. The superficial area of the two is 12,500 square feet. Considering the large number of shares that undoubtedly had been sold by the managers to the public here and elsewhere during the three preceding years at a steadily depreciating price, the reasonable explanation of the seeming candor of this last report is that it was deemed judicious to prepare the minds of the shareholders for the coming of the last act in this tragic drama, and to divert their attention from the recollection of the earlier and ruinous mis-statements to the contemplation of this

last and only reliable one of all the official reports. This view is sustained by further extracts from that report, as follows :

"There is some good ore on this (1750) level, but the greatest portion of the ore, so far as it has been exposed at the present stage of the opening of the level, is of a low grade. The good ore is confined to the east wall, and, so far as it has been developed, is twenty-eight feet wide in the widest place. * * * The pressure of the ground around the worked-out stopes is so great that it requires a large force of men to keep the mine in a working condition. Furthermore, to work these wide bodies successfully, the ore must be extracted rapidly, to avoid caving of the ground and the crushing of timbers, by which a large quantity of ore would be lost. * * * In the coming year hoisting must be discontinued for two or three months, as the shaft is badly crushed and dangerous, and requires extensive re-timbering. The various lateral drifts on the several levels also need repairing. * * * I therefore recommend that at some time in the ensuing year the work of hoisting ore through the old main shaft be suspended for a sufficient time to make these repairs. There is a great deal of ore yet in the mine for dividends—how much it is impossible to estimate with any accuracy; but until we make further explorations below the 1750-foot level and complete the necessary repairs spoken of I would further recommend a reduction of the monthly dividends."

That is to say, the ore remaining above the 1750-foot level would not justify the continuance of the two-dollar dividend, notwithstanding the same authority stated, only two years previously, that with the C and C. shaft the hoisting capacity was 2,000 tons per day, and the supply of ore in sight sufficient to last for many years. Taken in connection with the facts that in December, 1875, the public were rich, that the bonanza managers habitually advised all who came in contact with them that the purchase of those shares was a safe business investment, that the managers had absorbed the wealth of the State by the sale and manipulation of shares, and that the people, having eaten of the fruit of bonanza, which turned to ashes on their lips, were beggared and disheartened, it is a logical conclusion that the reports of 1874 and 1875 were deliberately and designedly worded to deceive the public, and by false data lead to estimates that would make a market for the shares, and that those designs having been accomplished, it was no longer necessary to conceal the truth.

Upon such an authoritative announcement the stock fell at once from \$25 to \$18, and subsequently to \$10, and many a confiding shareholder saw his last dollar vanish, and with it his faith in the bonanza.

The original extent of the bonanza, as shown by the official maps, calculated upon the basis of the superficial area of the respective

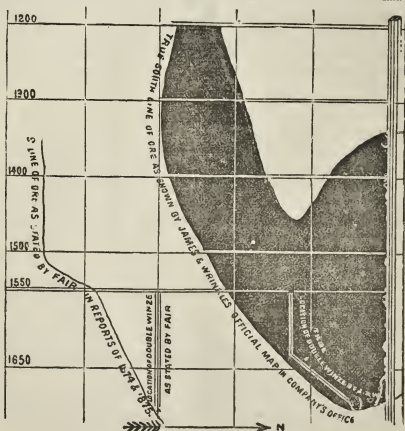
levels, and including all between 1200 and 1750 feet in depth, was not to exceed 750,000 tons of pay ore. Up to this time about 700,000 tons have been mined and reduced.

THE TRUE DIMENSIONS OF THE ORE BODY.

In illustration of the actual dimensions of the ore body, as compared with the official data, I present a sketch of a vertical section of the same from the 1200 to the 1650-foot level, on which sketch is also exhibited the southerly line alleged by Fair to be its extent in that direction :

VERTICAL SECTION OF CON. VIRGINIA BELOW 1200 LEVEL.

SHAFT,



THE LAKE INTERVIEW.

To the sixth allegation, relating to my interview with Judge Lake, I have to say that it is a malicious perversion and distortion.

In the month of February, 1877, being a month after the annual meeting hereinbefore mentioned, after having made investigations which satisfied me that it could be established beyond question that the shareholders of the Consolidated Virginia had, in various ways, been defrauded by the managers of many millions of dollars, I called upon Judge Lake and informed him that, as an individual shareholder, able and willing to assert and maintain his rights, I desired to employ him to take the necessary legal proceedings to bring these men to justice—not “for tailings, or some such matter,” so flippantly expressed in their allegations, but for false and fraudulent representations, breaches of trust, and other official misconduct. During his practice at the bar in San Francisco, which had extended almost over the period of my residence in California, Judge Lake had been my counsel in every important suit in which I had been interested; and in view of this fact, and of his recognized ability and independence, it was both reasonable and proper that I should seek to retain his professional services. I was surprised and greatly disappointed to learn from him that he was in the employ of the bonanza firm, as one of their counsel, and could not accept a retainer from me. Feeling some hesitation at entering upon so grave a lawsuit without his aid and skill, a suit which I knew would stimulate them to most unscrupulous methods of defence, I made to him the suggestion that, rather than seek other counsel, I would accept another mode of restitution, to wit: that I would sell to them at cost the shares I then held, and forego my rightful claim, for other reclamations. My intention to prosecute them had been no secret, nor were my relations to Lake, as one of his old clients, unknown; the knowledge of which facts had doubtless led the firm to add his invaluable services to their list of retained counsel.

As to the statement that I promised, in case of Flood's assent, that I would “be his friend, and stand in with him and make a market,” its very grossness is its refutation. I had denounced these men publicly for their evil doings. I had contended with them, at the annual meeting, on behalf of shareholders, demanding the performance of right and the cessation of wrong. The press of the State had published my action in the premises. They stood accused, though defiant, and at bay. Could any one suppose that I would be so lost to self-respect, or even so weak in policy, as to offer to step down to the

low level of their degradation, and become *particeps criminis* in their outrages upon the public, whom I had feebly defended? Moreover, I had many years since retired from active business, spending much of my time at the East and in Europe. Making a market or speculating in stocks was not my habit. My experience in the purchase of shares at the San Francisco Board had been limited to such as a prudent man might deem a good investment, and my purchase or sale of any stock had never been sufficient in amount to affect its market value one per cent. Had I been even as base as they in greed, and mode of making money, the result of my investments in Consolidated Virginia had taught me that the footprints to their den all pointed inwards, none outwards.

THE O'CONNOR LETTER.

The seventh allegation relates to the O'Connor memorandum, written a year after the conference with Judge Lake hereinbefore referred to.

I attended the annual meeting of the company on January 10, '78, for the one purpose to which my action was confined, viz. : Of entering my protest against the adoption of the resolution to confirm and approve all acts and doings by the managers during the preceding year. At that meeting Mr. O'Connor had been elected one of the trustees. We had been acquainted and friends for twenty-five years. Meeting him upon the street, a day or two after his election as trustee, a conversation took place between us concerning my action at the meeting. I explained to him my motives for such action. In reply, and doubtless actuated by friendly considerations, he suggested somewhat earnestly a desire that the matter should be amicably adjusted, and we parted, without any intention on my part of deviating from my purpose of enforcing legal restitution. Soon after I again called upon Judge Lake, under the belief and hope that his relations with the bonanza firm had ceased, and requested him to act as my counsel in the prosecution of the suit against the bonanza firm. Being in doubt as to his existing relations with that firm, he informed me that he would give me a definite answer upon the following day, and he subsequently informed me that Mr. Flood considered him still in their service, and that of course he could not act in my behalf. Under this renewed disappointment, and having decided on a visit to Europe, the interview with O'Connor occurred to me, and I determined, through him, to assent to a compromise of my claim.

I thereupon addressed to Mr. O'Connor the note of January 21st, re-

questing him to call upon me. Upon this call I submitted to him, in writing, the proposition by which I agreed to accept a partial restitution for the losses I had directly sustained through the misrepresentations of Mr. Flood.

The note, as its language implied, was in response to the verbal sentiments previously expressed by Mr. O'Connor. One expression therein was used inadvertently and without due reflection, to wit, that in which reference was made to "business and social relations" with the bonanza firm. The expression had to my mind at the moment no significance whatever. No business relations of any kind had ever existed between myself and the bonanza firm or any member of the firm. And as to social relations, I had never met, nor did I personally know either of them, prior to their connection with the bonanza mines, nor had I ever at any time known them among gentlemen upon the ground or standing recognized among gentlemen as social acquaintances. Although they had become men of wealth, they had never risen in the social scale above the level of their antecedent life. When, therefore, I alluded to relations with them I made use of an expression which, by its condescension, was a flattery to ignorance and vulgarity, the mere gilding of the pill to make it tasteful to their vanity. That it was attractive is evident by the importance which they have attached to it.

THE TREHANE CORRESPONDENCE.

The eighth allegation is as devoid of truth as are those which precede it. The letter of Mr. Trehane of January 18th, 1878, published in the *San Francisco Chronicle*, was, so far as I was concerned, an independent act of that gentleman, without privity or knowledge on my part, and without, at that date, even a personal acquaintance. I was attracted, as doubtless were many others—the bonanza firm included—by its straightforward, legal and intelligent statement of my own and the other shareholders' grounds of complaint of the frauds perpetrated by the firm. Being so impressed, I sought and made Mr. Trehane's acquaintance. After consultation with him and his associate, S. W. Holladay, Esq., a well known attorney of high standing, I determined to unite with their clients in the proceedings necessary to enforce proper and just restitution by the bonanza firm to the stockholders of the Consolidated Virginia Company.

The correspondence between those attorneys and myself, printed in the appendix, will explain their proceedings and my connection therewith.

As will be seen by that correspondence, Messrs. Holladay and Trehane represented myself, as well as their other clients, subsequent to the date of my consultation with them. Under their advice and by the desire of their clients whose interests were involved, it was agreed that the suit proposed should be undertaken in my name as plaintiff; mainly because I had been the most prominent stockholder in bringing to notice the delinquencies of the managers, and had reserved all my legal rights as a shareholder by making formal protest to the blind resolutions of general approval and ratification of their official acts. Before it had become convenient for the attorneys to prepare and file the complaint in the action, my departure for Europe was decided upon. It was therefore arranged that the name of some other of their clients interested in the subject matter should be substituted for mine. Hence the prosecution of the suit in the name of John H. Burke, a gentleman who is an entire stranger to me and whom I have never met. It is and has been my purpose to act with Mr. Burke and such other stockholders as may see fit to unite in the prosecution of that or similar suits, and also to ascertain if there is sufficient efficacy in the courts to enforce against offenders, even when intrenched behind fifty millions of dollars, the following section of the Penal Code :

"Section 564. Every director, officer or agent of any corporation or joint-stock association who knowingly concurs in making, publishing or posting any written report, exhibit or statement of its affairs containing any material statement which is false, is guilty of a felony."

In the appendix hereto will be found, over the signature of Mr. Burke, a summary of the causes of action in the civil suit mentioned.

The ninth and last allegation suggests conclusions drawn from the false premises of the preceding seven. Having, as I think, refuted each and every of the material statements set forth in Mr. Flood's abusive missive, the corollary fails.

THE OBJECT OF THE BONANZA FIRM.

The whole effort was false in its purpose, false in its premises, and false in its conclusions. Its object was to distract and divert the attention of that large number of the public who are the unfortunate holders of bonanza shares from the contemplation of the wrongs done to them, and of their rightful remedy in the actions now pending against the bonanza firm. It was an attempt to muddy the waters for the purpose of escape.

The attack, though personally aimed at me, was intended to be an

intimidation to others. No other shareholder but myself had publicly stepped to the front and demanded of these men compliance with their legal and moral obligations. Conscious of their vulnerability, they hoped, by abuse of me and by insolence and defiance, to deter others from attack. By insertion of their written fulmination as an advertisement in some of the newspapers of this city and of Nevada, they hoped to buy immunity from the censorship of the press, if they did not even have the vanity to believe they might thus purchase approval. Their own organs, the *Virginia Chronicle* and the *Territorial Enterprise*, of Virginia City, paid the tribute that the slave gives his master, by adding editorial abuse to the purchased prostitution of their columns.

THE LAST DECEPTION.

In May last came the beginning of the end. In that month and in June dividends of \$1 were paid, and then they ceased. Even the final ending of the great bonanza furnished the opportunity and became the subject of falsehood, fraud and trickery. The managers had still a large number of shares for sale, and which would have but little value in the market when it should be known that dividends could not be resumed. To stimulate the hope of early resumption Mr. Fair, in his last annual report, had suggested that "hoisting must be discontinued for two or three months," as though the interruption would be but temporary, and strengthened the inference by the statement, "There is a great deal of ore yet in the mine for dividends." Mackay, too, who assisted Fair in conducting operations at the mine, and who took the superintendent's place in his absence, did not hesitate to state on the 1st of April last to the Board of Commissioners of Storey County, Nevada, who had met to fix the bullion tax for the year—

"We may have to stop and repair the Consolidated Virginia shaft for two or three months, but that will not reduce the product more than \$2,000,000. The prospects of the Consolidated Virginia and California are as good as at any previous time. There is enough ore in sight to yield \$18,000,000 or \$20,000,000 for dividends, even if it did not reach more than three feet deeper than at present developed."

After the repairs, which commenced in May, had been continued for "two or three months," the *Territorial Enterprise* and other organs of the bonanza firm excited public expectation and kept up the price of shares by frequent suggestions that the repairs had made great progress and that the resumption of dividends was close at hand. When six months instead of "two or three" had passed and impatience and dis-

trust seemed to demand some new device, 300 miners who, when repairs commenced in May, had been discharged from the mine, were in October again set to work, and the announcement was made by the organs of the firm that the mill which had been idle for six months was being put in readiness for resumption of work. Considering the time which had been expended in repairs and the supposed advantages which should follow and the statements of Fair and Mackay as to reserves of ore for dividends and the semi-official suggestions of the pending resumption, the price of shares was soon advanced nearly 100 per cent., and purchasers for thousands of shares were found among those who are too often influenced by credulity and hope, and possibly had not the data, or the faculty to use them, by which the fraud would have been made manifest.

When this last trick had effected its object, and the credulous and the hopeful had been ensnared and the buyers of shares become few, and the three millions of dollars, which the mine had yielded in excess of dividends since repairs commenced, had been expended in purchasing from Flood, Fair and Mackay millions of feet of timber with which to fill up the great caverns of the mine, and nothing more is to be made by selling shares, and the milling of the low-grade ores, at a loss to shareholders, is to become the next scene in the drama, Mr. Mackay steps to the footlights and with unblushing assurance says to the victims of his firm's fraud :

"I have discharged 300 men. The fact is, that we have for a long time had more men than we needed. The ore in the lower levels has become so poor that it does not pay to work except in a few places. The heat is so great, and the rock so hard, that six men cannot take out as many car-loads in a given time as one man used to do. On the 1200 and 1300 levels, there is yet considerable ore; but the ground is constantly shifting and settling there, and the cost of extraction is consequently so great as to leave but a small margin for profit. I am sorry for the miners whom we have had to discharge just as winter is coming on."

I wonder if his sympathy extends to the ten thousand men and women who were induced by the frauds I have mentioned to buy at high prices the shares his firm was selling, and now, in the winter of their discontent, find that they have melted away to a nominal value of \$7 or \$8, with a possible future diminution to their intrinsic worth—zero. I wonder if, in his ostentatious display of the wealth thus accumulated, aping gentility by extravagant waste of the honest gains of other men, he feels a consciousness of the fact that "the era of bad feeling" which first openly displayed itself at the annual meeting

of January, 1877, still exists, and will exist until justice, which is sure, but sometimes slow, shall obtain its retribution.

THE FUTURE PROSPECT.

The mine is now practically exhausted. What may be remaining is not only of limited quantity, but is chiefly of low grade, and it most probably will be used by the managers to keep their mills in operation without producing any surplus for dividends.

A spasmodic small dividend or two may, by effort, be accomplished, for the main purpose of infusing temporary vitality to the price of shares, as a means of further disposing of them to the public, and then assessments will follow.

It has now become an expensive mine to work. The removal of 800,000 tons of ore, there being 13 cubic feet to the ton, has made an excavation of 9,100,000 cubic feet, which has been filled nearly solid with timbers, and at enormous expense. In the hot vapors these timbers rapidly decay, and constant settling and shifting of the ground takes place. Even at the surface of the ground this has become so serious a fact as to produce great inconvenience and injury to buildings and to gas and water pipes in the streets of Virginia City. The past six months have been devoted to the removal of crushed and decayed timber in the mine, and to the retimbering of the shaft. This operation must necessarily be continuous, and add greatly to the cost of working if it does not entirely prohibit it.

But, although little can be expected from the further production of the nearly exhausted ore body, there remains to shareholders their rightful claim to reimbursement, from the men comprising the bonanza firm, of all the moneys wrongfully taken for milling ores at great profits, for timbers furnished at high prices, and for other unlawful gains, as well as hundreds of thousands of tons of rich tailings, which are the property of the company, and not of the three men who assert claim thereto. All these claims are now in process of suit in the action hereinbefore mentioned, and amount, in the aggregate, to \$42,000,000.

JAMES COFFIN, TRUSTEE.

It has been the policy of the firm to induce all shareholders to cause their certificates to be issued in the name of Jas. Coffin, trustee. And as an inducement to Eastern shareholders so to do, dividends were paid at the agencies of the Nevada Bank in Eastern cities, to holders of certificates so issued, on the same day they were payable in San

Francisco, while dividends on all other shares were only paid at the bank in this city.

The object of this arrangement has been to enable the firm here to control the election of trustees, they holding the proxy of Jas. Coffin, and voting all stock standing in his name. Their own shares also being issued in his name, it has effectually concealed from the shareholders generally the knowledge whether the firm were holders of any more than nominal amounts of stock.

It is to the interest of every shareholder to have his shares in his own name, or in that of his own agent, more especially if he proposes to take any interest in the pending suits.

THE DIAMOND DRILL.

With regard to the use of the diamond drill in the Consolidated Virginia or any other mine, I take this occasion to suggest that, where it is openly used, for the equal and immediate benefit of all the shareholders, and as a means of determining in what direction the work of exploration should lead, it can be made a means of great economy and advantage. Experience has shown that heretofore it has been used only in the interest of those in whose management the affairs of the mine happen to be.

I think that the subject is worthy attention by the Legislature of Nevada, and I would suggest that a law might be enacted appointing a stated officer, who, exclusively, should be authorized to make use of the diamond drill, on application of the officers of mining companies, and who should publish the results of its operations without delay for the benefit of all concerned.

THE OBJECT OF THIS CARD.

In this writing, which is both a reply to insult and a review of the fraud that has sought to hide behind abuse of me, I have been lengthy, because I desired that what I said should be a complete refutation of falsehood, and an exposé of the schemes of men who abroad claim to be, but who are not, representatives of the wealth of the State. It being mainly a reply to personal attack, I have been compelled, while holding up to view the falsity and the motives of my defamers, to be more personal than suited my taste or inclination. I also feel that I may ask the indulgence of the reader, especially if I be unknown to him, for the egotism which could scarcely have been avoided in such a document.

Having been a resident of California for thirty years, during which time my experiences were intimately connected with the growth and progress of the Golden State, owing all my material prosperity to her bountiful bestowments, having been actively engaged in her most important branches of industry—commerce, real estate and mining—and my business pursuits having been carried on side by side and in co-operation with those who are to-day her best, representative and most influential men, having, out of my own good fortune, had the opportunity and the happiness to aid many of her citizens in laying the foundation of their existing prosperity, not one of whom can say that my own was acquired at his expense or at the cost of honor, it will not be considered vanity for me to say that I knew well the powers by which the State was rising toward grandeur of wealth and influence, and could without difficulty discern any evidences of disaster or adversity and form a fair judgment of the causes.

I knew that up to the date of the discovery of the bonanza mines her prosperity and the wealth of her people had been steadily onward, and that though her population, combined with that of her sister State, Nevada, comprised less than a million souls, the products of their energy and enterprise astonished the world.

I knew that labor never failed of employment at wages that gave stimulus to ambition and invited immigrants from every country.

I knew that the farms and vineyards and factories that were springing up and growing into sources of wealth on every side were results of the genius of labor and the enterprise of capital.

I knew that the eighty millions of dollars laid away in savings' banks gave evidence of economy as well as thrift.

I knew that the taste and luxury that were manifest in elegant houses, and landscape embellishments, and in the patronage of art, evinced the growth of mind and heart and refinement.

I knew that out of all these potent influences San Francisco had grown from a mere resting place for the tents of wandering Argonauts into a commercial emporium, ranking among the first in the nation; and that the twenty thousand real estate owners in that city demonstrated the prudence and the prominence of its population.

In the midst of all this fullness of prosperity the great bonanza development rose before us, heralded as a new gift of the gods, but, like the Trojan horse, pregnant with evil. Its actual merits, together with the exaggerated expert and official reports above quoted concerning it, supplied the four men who were its managers and largest owners with the opportunity to convert what might have been a blessing to the

land into the machinery of ruin and destruction. Too gross to aspire to the dignity that should be associated with wealth and power, they found it more congenial to bring down to their own low level their administration of the trust by chance reposed in them. Low and vulgar in antecedents, in habits, in morals and in taste, schooled in the tricks and schemes that come of companionship with vice, and experienced in the practice of deceptions born in the groggery, their chief aim in the management of that great mine was to grasp greedily at its entire product, and by every device and ingenuity lessen the rightful share of other stockholders. Nor did they limit their ignoble ambition to the absorption of the bonanza only. They looked with eyes of avarice upon the fruits of industry which, in savings banks and other depositories, had, during twenty-five years been accumulating. They knew that mining enterprises had strong and peculiar fascinations to mankind. They knew that the people of this coast were enthusiastic and speculative, free, liberal, and even extravagant in expenditure of money, and that the same spirit which had first drawn them to these shores in pursuit of speedy fortune still dominated and made fascinating whatever seemed most promising and prolific. So marvelous in quality and inexhaustible in quantity did the published official reports of the bonanza declare it to be, that no one doubted that the most selfish appetite of the bonanza firm would be more than sated by their legitimate revenue from dividends, and thus no one suspected that even their debased experience as proprietors of a rum-shop and associates of dram-drinkers would besmirch and taint with rottenness and robbery their administration of the mine's affairs.

No other mine had ever so completely captured public confidence; none had ever found the people so willing and so able to make investments in its shares. The faith with which thousands intrusted the safety or the wreck of fortune to the trust and administration of four unknown and untried men, was an act worthy of the most implicit honor in return. How that confidence was requited, and how grossly the trust abused is now a matter of history, and is explanatory of the "era of bad feeling" which preceeded and followed that annual meeting of 1877. The power for future evil may thus be lessened by the distrust which has been born of experience. That experience leads to the conviction that it would have been better for the people of California and Nevada had the bonanza never been discovered.

The world at large may have been benefited by the addition of a hundred millions of dollars to the store of precious metals, but it has been at a fearful cost to the people of the Pacific coast.

The advantages gained here have been temporary; in ultimate results they have been ruinous.

The money distributed in labor connected with the production of that hundred millions, whether expended in machinery or supplies, or wages, has brought no permanent good to the recipients. It was but a brief loan, the repayment of which has been exacted with usury that has absorbed former acquisitions.

The evanescent enjoyment of fancied wealth, and of the extravagances and luxuries that promised to be enduring, has been followed by disappointment, misfortune and distress. The flash that dazzled with its glare was brief in its brilliancy, leaving after it darkness and desolation. The waste of energy, physical and mental, and of capital gained in other pursuits, has palsied the public pulse, and strewn the coast with human wrecks. That energy and that capital devoted to the promotion of manufactures, agriculture and commerce, would have borne fruit of permanent and increasing wealth to the State.

The naked fact stands forth plain to every eye that the bonanza experience has brought to the public but impoverishment and ruin, and to the self-styled "Kings of the Comstock" a mountain of money, which may gratify their vanity, stimulate their lust of power and give them an ephemeral notoriety, but which can neither buy respect, nor beget happiness that mates with honesty, nor change grossness into refinement, nor prolong a useless life that has no higher aim than to get more money, nor weigh a feather in the scale of justice before that tribunal where the beggar and the king stand on a common level.

S. P. DEWEY.

SAN FRANCISCO, December 4, 1878.

APPENDIX.

SAN FRANCISCO, Nov. 28th, 1878.

JOHN TREHANE, ESQ.,

And MESSRS. HOLLADAY & TREHANE,—

Gentlemen: Will you please furnish me with a copy of correspondence between you and the directors of the Con. Virginia Mining Company, relating to breaches of trust by said directors, and a statement of your proceedings in behalf of any stockholders concerning such breaches of trust, and of my connection with such proceedings.

And oblige yours, etc.,

S. P. DEWEY.

REPLY TO THE ABOVE NOTE.

602 MONTGOMERY ST.,

SAN FRANCISCO, Nov. 30th, 1878.

S. P. DEWEY, ESQ.,—

Dear Sir: You ask us to furnish you with a copy of certain correspondence which has taken place between ourselves and the directors of the Consolidated Virginia Mining Company relating to breaches of trust of said directors, and a statement of our proceedings on behalf of stockholders relating thereto, and of your connection with such proceedings.

In reply we have to state, that on the 18th January, 1878, Mr. Trehane addressed to the directors of said company a communication, of which the following is a copy :

To Messrs. Charles H. Fish, George Wallace, Solomon Heydenfeldt, George R. Wells and Cornelius O'Connor, Directors of the Consolidated Mining Company;—

Gentlemen: You were recently elected directors of the Consolidated Virginia Mining Company. On behalf of several stockholders in that company, I respectfully call your attention to the following charges :

First—I charge that from the early part of the year 1874 down to the present time your company has been possessed of a mine of immense value, situate in Storey County, in the State of Nevada, and has had ample means and full power to purchase and hold all necessary mills and machinery to mill and reduce all the ores extracted from your said mine.

Second—I charge that your predecessors in the office of trustees—namely: Charles H. Fish, James C. Flood, William S. O'Brien, John Mackay, Solomon Heydenfeldt and Edward Barron—instead of erecting mills, to be the property of the company, and reducing the ores of the company at the actual cost of reduc-

tion, entered into an extravagant and corrupt contract with a milling company organized in the State of Nevada, whereby it was agreed that said milling company should reduce the ores taken from your mine at a large profit, and after reduction should retain the residue of the "tailings" and "slimes" as its own property.

Third—I charge that said milling company was directed and controlled and the stock thereof owned by James C. Flood, William S. O'Brien, John Mackay, (three of said directors and a majority thereof), and James G. Fair, composing a co-partnership generally known as the firm of "Flood & O'Brien."

Fourth—I charge that James G. Fair, the fourth member of said firm, under the appointment of his copartners, acted in the dual capacity of superintendent of both the mining and milling companies.

Fifth—I charge that Solomon Heydenfeldt, whilst acting as such director, was the paid attorney and legal counsel as well of your company as of the said firm of Flood & O'Brien.

Sixth—I charge that under and by virtue of the contract above referred to, made by the firm of Flood & O'Brien, as miners, with the firm of Flood & O'Brien, as millers, the said James C. Flood, William S. O'Brien, John Mackay and James G. Fair have improperly obtained, and now unlawfully detain from your company, a sum exceeding two millions of dollars.

Seventh—I further charge, that under and by virtue of said contract, said James C. Flood, William S. O'Brien, John Mackay and James G. Fair have improperly obtained and now unlawfully detain from your company the "tailings" or residue of the ores, which they have but superficially worked, and that such tailings are reasonably worth the sum of two million dollars.

Eighth—In this connection, I draw your attention to the following sections of the Civil Code, which contain the law of this State on the subject :

SECTION 2,229—A trustee may not use or deal with the trust property for his own profit, or for any other purpose unconnected with the trust in any manner.

SEC. 2,234—Every violation of the provisions of the preceding sections of this article is a fraud against the beneficiary of the trust.

SEC. 2,237—A trustee who uses or disposes of the trust property, contrary to Section 2,229, may, at the option of the beneficiary, be required to account for all profits so made or to pay the value of its use, and if he has disposed thereof, to replace it, with its fruits, or to account for its proceeds, with interest.

The general rule of equity in relation to such transactions, as above indicated, is admirably stated in the case of the Aberdeen Railway Company vs. Blaikie (MacQueen, 482), a case which, after long deliberation, was decided by the House of Lords, the highest Court of Appeal in Great Britain, and is generally followed by the courts and text-book writers in this country. In that case Lord Chancellor Cranworth said :

The directors are a body to whom is delegated the duty of managing the general affairs of the company.

A corporate body can only act by agents, and it is, of course, the duty of those agents so to act as best to promote the interests of the corporation whose affairs they are conducting. Such agents have duties of a fiduciary nature to discharge toward their principal, and it is a rule of universal application that no one hav-

ing such duties to discharge shall be allowed to enter into engagements in which he has or can have a personal interest conflicting, or which possibly may conflict with the interests of those he is bound to protect. So strictly is this rule adhered to that no question is allowed to be raised as to the fairness or unfairness of a contract so entered into. It may sometimes happen that the terms on which a trustee has dealt or attempted to deal with the estate or interests of those for whom he is a trustee have been as good as could have been obtained from any other person—they may even at the time have been better; but still, so inflexible is the rule, that no inquiry on the subject is permitted.

Nine—To summarize, then: I charge that James C. Flood, William S. O'Brien, John Mackay and James G. Fair have, by said milling operations, and by other contracts made with your company, improperly and by a legal fraud abstracted from the profits of your company upwards of five million dollars, and that they at this moment owe the stockholders of your company that sum, which should be distributed to them in dividends.

Ten—I charge that Charles H. Fish, Solomon Heydenfeldt and Edward Barron are personally liable to your company for so much of said sum as was taken from the funds of your company during the time they were trustees thereof, and in this connection I draw your attention to the following section of the Civil Code :

SECTION 2,239—A trustee is responsible for the wrongful acts of a co-trustee to which he consented, or which by his negligence he enables the latter to commit, but for no other.

And now, to place this matter on a practical business basis, I undertake that if you will authorize me to proceed on behalf of your company against these defaulting trustees, I will furnish you with satisfactory bonds to secure the payment of all possible cost against your company, and will be perfectly satisfied with a contingent fee of 30 per cent. on the amount I may recover for you.

I am, gentlemen, respectfully yours,

JOHN TREHANE,
502 Montgomery St., San Francisco.

Receiving no reply, Mr. Trehane followed this with a second letter dated February 12, 1878, to which the directors replied by letter dated February 15. To this reply Mr. Trehane rejoined on the 16th of February :

"Within a day two after the date of this letter, and in consequence, as you told us, of the appearance of the first letter in the *San Francisco Chronicle*, you called upon us and expressed a desire to unite with our clients in any efforts that might be made to recover for the stockholders of the company—of whom you were one—the enormous sums which Mackay, Fair, Flood and O'Brien had abstracted from the treasury of the company. Up to this time you had had no communication with us on the subject, nor had you in any way prompted or instigated the letters written by Mr. Trehane, and could have no knowledge of them other than that gained through the columns of the public press. Indeed, up to this point, as far as Mr. Trehane was concerned, you were entirely unknown to him.

"We now instituted a more searching investigation into the conduct of these

unfaithful directors towards the company, and found that the milling of the ores was by no means the only instance in which they had violated the trust confided in them, but that they had availed themselves of every possible avenue for making private profits out of their official position.

"After consultation with yourself and other shareholders, it was decided that we should make one more effort to induce the directors of the company to do their duty in the premises, and accordingly we addressed to the board a letter, of which the following is a copy :

To Messrs. Charles F. Fish, George Wallace, Solomon Heydenfeldt, George R. Wells and Cornelius O'Connor, Directors of the Consolidated Virginia Mining Company:

GENTLEMEN—As the agents and attorneys of Squire P. Dewey and other stockholders, owning, in the aggregate, several thousand shares in the Consolidated Virginia Mining Company, we respectfully ask your attention to the following charges:

First—From the month of January, 1873, down to the present time, your company has been possessed of a mine of immense value, situate in Storey County, in the State of Nevada, and has had ample means and full power to build, purchase and hold all necessary mills and machinery to mill and reduce all the ores extracted from said mine.

Second—Between the first day of January, A. D. 1873, and the first day of January, A. D. 1878, your predecessors in the office of trustees, namely, Charles H. Fish, James C. Flood, William S. O'Brien, John W. Mackay, Solomon Heydenfeldt and Edward Barron, instead of purchasing or erecting mills and machinery to be the property of the company, and therewith reducing the ores of the company at the actual expense of the reduction, entered into extravagant and unlawful contracts with the Pacific Mill and Mining Company, whereby it was agreed that said milling company should reduce the ores taken from your said mine at a large profit, and, after reduction, should retain the "slimes" and "tailings" as its own property.

Third—Said Pacific Mill and Mining Company was entirely under the direction and control of, and the majority of the stock was owned by, James C. Flood, William S. O'Brien, John W. Mackay and James G. Fair, copartners.

Fourth—That under and by virtue of the contracts above referred to, made by said directors with said milling company, said copartners have improperly obtained, and now illegally withhold from your company, a sum of money exceeding three millions of dollars.

Fifth—That under and by virtue of said contracts, said copartners have improperly obtained, and now detain from your company, the "slimes" and "tailings" from the ores (which have been but superficially worked by said milling company), and that such slimes and tailings are reasonably worth the sum of ten million dollars.

Sixth—That, during the times aforesaid, said trustees entered into extravagant and unlawful contracts for the supply of water, lumber, wood and other supplies, with two companies, called, respectively, the "Virginia and Gold Hill Water Company," and the "Pacific Wood, Lumber and Flume Company."

Seventh—That each of said companies was entirely directed and controlled

and a majority of the stock thereof was owned by, said copartners, who have unlawfully realized large profits by said contracts therewith.

Eighth—That, during the times aforesaid, said trustees have improperly and unlawfully entered into contracts and engagements with a banking corporation known as the "Bank of Nevada."

Ninth—That said banking corporation was directed and controlled, and a majority of the stock owned by, said copartners, who had unlawfully realized large profits by said contracts and engagements therewith.

Tenth—That during the times aforesaid, said co-partners and said Heydenfeldt have purchased in their own names for the use of, and with the funds of, your company, certain parcels of land and outstanding titles, and have transferred the same to your company at a large profit to themselves.

Eleventh—That by the contracts, transactions and improper dealings with the company's property, referred to in the 7th, 9th and 11th paragraphs, said copartners have illegally obtained, and now improperly and unlawfully withhold and detain from your company, sums of money exceeding in the aggregate twenty-three million dollars.

The main facts, above stated, have been known to all of you individually for more than a year past. Your attention is further directed to them in a letter which was addressed to you on the 17th ult. by the undersigned, John Trehane. You have, so far, taken no proceedings to recover any of these large sums, or secure any redress for your beneficiaries, the stockholders, and have indicated no desire so to do. We have to point out to you that any further delay on your part will be disastrous in the event of a plea of the Statute of Limitations. As attorneys and agents for Squire P. Dewey, and in his name, therefore, we now demand that you *forthwith* commence suit against said James C. Flood, W. S. O'Brien, John W. Mackay, Jaimes G. Fair, Solomon Heydenfeldt, Charles H. Fish and Edward Barron, to recover, for the benefit of your stockholders, the moneys, profits and property of your company misappropriated as above indicated. Unless on or before Saturday, 23d inst., you have commenced such suit, or have notified us of your intention to commence it immediately, you will be deemed to have refused to do so, and our clients will act accordingly.

502 Montgomery Street,
SAN FRANCISCO, 18th February, 1878.

S. W. HOLLADAY,
JOHN TREHANE.

Subsequent to this correspondence, it was arranged that legal proceedings to prosecute the claims above set forth should be instituted in your name, as plaintiff. The complaint was so prepared, but before filing the same, it was determined, on account of your proposed visit abroad, to substitute the name of another shareholder, John H. Burke, as plaintiff, in place of yours. All proceedings have, to this date, been carried on in his name.

Respectfully yours,

HOLLADAY & TREHANE,
Attorneys at Law.

THE BONANZA LITIGATION—OUTLINE OF THE ACTIONS AGAINST MESSRS. FLOOD,
MACKAY AND FAIR.

There are now three suits pending in the District Courts of this city wherein I appear as plaintiff in my own behalf and that of all other stockholders of the Con-

solidated Virginia Mining Company, and James C. Flood, John W. Mackay and James G. Fair are defendants.

The suits are brought for the following amounts :

In the Twelfth District Court, J. H. Burke vs. J. C. Flood, J. W. Mackay, J. G. Fair and Pacific Wood, Lumber and Flume Company, for	\$4,000,000
In the Twenty-third District Court, J. H. Burke vs. J. C. Flood, J. W. Mackay, J. G. Fair and Pacific Mill and Mining Company, for	26,015,000
In the Nineteenth District Court, J. H. Burke vs. J. C. Flood, J. W. Mackay and J. G. Fair, for.....	10,429,068
Total.....	\$40,444,068

The acts complained of in the first suit, as stated in the complaint, are as follows :

That on November 8, 1875, Flood, O'Brien and Mackay, comprising a majority of the directors of the Consolidated Virginia Mining Company, conspiring with Fair, organized and incorporated the Pacific Wood, Lumber and Flume Company. That they composed a majority of the board of directors and owned all the stock of the Wood, Lumber and Flume Company. That they made contracts between the Consolidated Virginia, while acting as its directors, and the Pacific Wood, Lumber and Flume Company, of which they owned all the stock and were also directors, for the furnishing by the company last named of large amounts of wood, lumber and timber. Or in other words, that Flood, O'Brien and Mackay, while acting as such trustees of the Consolidated Virginia, as such trustees, made contracts with Flood, O'Brien, Mackay and Fair to furnish the wood, lumber and timber. That these contracts were not made to the best advantage of the company, and that there were other persons able and willing to furnish the same amount of lumber, wood and timber of a better quality, and at a lower rate.

That James G. Fair was the acting superintendent of both companies during all the terms of the transactions complained of, and that the funds of the Consolidated Virginia Mining Company, appropriated by Flood, O'Brien, Mackay and Fair, by reason of these contracts between November 8, 1875, and August 21, 1877, amount to the sum of \$4,000,000.

Second—That on July 25, 1874, and ever since that date, the Consolidated Virginia Mining Company has owned a mine of immense value in Storey County, Nevada; that the ores taken from said mine, though superficially and imperfectly worked and milled, have yielded to the company up to August 21, 1877, \$50,000,000.

That at all times mentioned the Consolidated Virginia Mining Company and its directors had ample means and full power to purchase or build all necessary mill and milling machinery, wherewith to reduce the ores taken from its mine, at a large saving to the company, and that the ores so taken could thus have been milled and reduced by the company more perfectly and at a less rate per ton than that charged by the Pacific Mill and Mining Company.

That on July 25, 1874, Flood, O'Brien and Edward Barron were the directors of the Consolidated Virginia Mining Company, and that they, together with Mackay and Fair, incorporated the Pacific Mill and Mining Company ; Flood,

O'Brien, Mackay and Fair, owning all the stock in said Pacific Mill and Mining Company, and composing a majority of the directors of said company.

That between July 25, 1874, and August 21, 1877, upwards of 500,000 tons of ore belonging to the Consolidated Virginia Mining Company were milled by the Pacific Mill and Mining Company, at a cost of \$12 per ton, to the Consolidated Virginia Company, and at a profit to the Pacific Mill and Mining Company of \$6 per ton, and that the tailings retained by the mill company are worth \$20,000,000.

That Mackay, Fair, Flood and O'Brien organized said mill and mining company for the purpose of dealing with the property of the Consolidated Virginia Mining Company, and appropriating it to their own use without the knowledge or consent of the stockholders of said company. That they did appropriate to their own use \$26,015,000.

That between January 1, 1872, and January 1, 1874, Flood, O'Brien, Mackay and Fair purchased from Geo. W. Kinney, T. H. Williams, David Bixler, Frank Livingston, Sampson Rosenblatt, Stephen W. Dick, M. K. and M. F. Truett and others, seventy feet of mining ground for about \$34,750.

That between these dates Fair was the superintendent of the Consolidated Virginia Mining Company, and Flood and O'Brien were directors and trustees of said company.

That they caused three feet of mining ground to be conveyed to the Consolidated Virginia Mining Company, and then Flood and O'Brien, as directors of said company, caused several hundred shares of the capital stock of said company to be issued to J. C. Flood in payment for said ground; that said stock was worth at the time \$300,000, or more than Flood & Company paid for the ground.

The said shares of stock were worth in January, 1875, the sum of \$10,190,996, and that up to that time there had been paid in dividends thereon \$238,072, and up to the time of the commencement of these actions, \$4,401,599 24. The prayer in this case asks that Flood, Mackay and Fair be compelled to refund the value of said stock in January, 1875, and the dividends to that date—making in all \$10,429,000.

In each suit the allegation is made that the various transactions complained of were entered into without the knowledge and consent, and against the will of the stockholders of the Consolidated Virginia Company, who have never ratified or confirmed them.

The Court is asked to declare the various contracts mentioned fraudulent, against public policy and null and void.

The principle contended for by me has been passed upon so often that it is unnecessary to refer to but a few cases, where the acts complained of are similar to those in the suits I bring, viz: *Aberdeen Railway vs. Blackie*, 1 MacQueen, 461; *Atbott vs. American Hard Rubber Company*, 33 Barbour, 593; *Cumberland Coal and Iron Company vs. Sherman*, 30 Barbour, 553; *Gilman, C. and S. Railway Company vs. Kelley*, 77 Illinois, 426; *Mechoud vs. Girod*, 4 Howard, United States Supreme Court, 503; *Hoffman S. Coal Company vs. Cumberland Coal Company*, 16 Maryland, 457; *Trist vs. Child*, 21 Wallace, United States Supreme Court, 441. Respectfully,

JOHN H. BURKE.

SAN FRANCISCO, CAL., November 1, 1878.

OPINIONS OF THE PRESS.

DEWEY vs. FLOOD.

[San Francisco Chronicle, Dec. 8, 1878.]

"On the first page of this issue of the *Chronicle*, we publish an address to the stockholders of the late bonanza mines by Squire P. Dewey, in answer to the venomous attack upon Mr. Dewey by James C. Flood through the *Bulletin*, in May last. Having just returned from a European tour, Mr. Dewey gives his early attention to his traducer, and, as will be seen by those who attentively read his communication, refutes the malicious charges of his adversary with great clearness and force. He says that it is untrue that he sold the dividends of Consolidated Virginia 'short' at the time of the fire in 1875, as charged by Flood, and explains that, upon being informed by Flood that there was not sufficient money in the treasury to pay dividends, and believing money would be scarce on account of State taxes coming due, and for other reasons, he sold part of the stock he was holding at the time. Afterwards he ascertained that Flood had deliberately told him a falsehood as to the amount of cash in the treasury, there being \$2,208,805 on hand instead of about half a million, as represented. He then repurchased his shares, the price having in the meantime advanced so as to cause him a loss of \$50,000.

"The point in this connection most apt to attract general attention is that Flood should so complacently admit that while treasurer and a trustee of the company he had willfully made a false statement as to the financial condition of the corporation—a matter about which every stockholder had as good a right as Mr. Flood to be accurately informed. The falsehood could not even have the poor excuse of a desire to 'sustain the stock in the market,' for it had directly the opposite tendency. Indeed it was designed to aid him in 'freezing out' small stockholders preparatory to a deal. It is only a sample of the disgraceful expedients to which professional stock manipulators resort in order to carry out their dishonest schemes.

"The whole history of this bonanza deal, of which Mr. Dewey's paper is a fresh reminder, is a history of duplicity, fraud and cunning venality, without precedent or excuse of any kind. There were mines of great richness, containing enough gold and silver to make each of the principal owners fabulously rich, richer than any man ought to be. They had but to let the miners take out the money. They could afford to pay well for all the work or supplies furnished them. They were in a position to be entirely independent of the stock market, and they could have redeemed the management of the mines from previous bad repute. In this way they might have been of inestimable service to the country,

injuring no one and benefiting all. Their reward would have been an abundant fortune, obtained by honest mining, and the lasting and universal respect of their fellow men.

"High-minded, public-spirited citizens would have eagerly improved such a golden opportunity. Flood and his associates did no such thing. From the very first they worked the stock market quite as diligently as the mines, seeking to get two dollars from the savings banks for every dollar in dividends paid to an outsider. They have won the unenviable distinction of having preferred to be millionaires by tricky stock jobbing, when they might have been millionaires by honest mining. So they must expect the natural reward—the hatred and contempt of mankind.

"Mr. Dewey's paper is well worthy of careful perusal, and there is no doubt the popular verdict will pass favorably upon it."

[San Francisco Bulletin, September 5, 1878.]

"It will be remembered that in connection with the bonanza mines, in January, 1875, when the value of the shares was at the highest point, the ore taken from the Consolidated Virginia mine was said to yield from \$250 to \$900 per ton. If any such ore was taken from that mine, the quantity must have been very small. The yield shows an average considerably lower than the lowest figures named.

"The average yield of the bonanza mines up to January 1, 1878, has been as follows:

	Con. Virginia.	California.
1874 per ton.....	\$ 56
1875.....	93
1876.....	114	\$105
1877.....	96	88

"The above are the highest averages of any large ore deposit removed from the Comstock Lode, but they fall far short of what was expected, and what was mainly derived from official resources. It will be remembered that James G. Fair, Superintendent of the Consolidated Virginia mine, in his report for 1874, says: 'On the 1550-foot level, a drift has been run the whole length of the mine; the northern 400 feet of which passes through ore assaying from \$200 to \$800 per ton.' Whatever the intent, the effect of this statement was to create a false impression, and it did produce that result by leading buyers to pay exorbitant figures for the stock. Many who then put their money into those shares have been financially crippled ever since, and some will never recover their former wealth. The \$200 to \$800 rock on that northerly drift must have formed but a very small proportion of the whole, or the average yield for 1875 would have been much higher than \$93.

"The stock had been worked up to unparalleled figures, and the collapse is too fresh in the memory of the public to require any more particular reference. Consolidated Virginia was carried to \$700, and California to \$780 per share in January, 1875. That these shares did not reach \$1,000, was mainly due to the efforts of the *Bulletin* in presenting facts and reasons to show that the excitement then pending, was an unhealthy one. Even as it was, the

mines were terribly inflated, their nominal value in January, 1875, being as follows:

	Per Share.	Amount.
Consolidated Virginia.....	\$700	\$75,000,000
California.	780	84,240,000
Totals.....		\$159,840,000

"The two mines are now selling at the rate of \$13,000,000, and there is probably several millions of ore yet to come out, but how much stockholders will get is one of the unsolved problems. Much of the business depression which has been felt in California during the past three years can be traced directly to the unhealthy stock excitement of 1874-75."

THE RUSH FOR MINING STOCKS.

[San Francisco Evening Bulletin of September 26, 1878.]

"The excitement of 1874-75 made a few unhealthfully rich and a great many unhealthfully poor. The result was bad all round, and a long period of unusual business depression can be largely traced to the reaction following that season of intense speculation.

"It is now nearly four years since we entered upon the era already described. The ore discovered in the California and Consolidated Virginia mines, though the most important yet made, has fallen largely below the expectations which its announcement created. No one who invested in these stocks thought that much risk was incurred, but hundreds would have been much better off if they had never put a dollar in either stock.

"The public knows something of these matters from revelations which have been made from time to time. But the unwritten chapters of private grief, mortification and shame are probably more startling than anything yet made known. Most of this kind of history will go down in the graves of those who helped to make it, but who would rather die than reveal what they know and have experienced."

THE LATEST MOVE IN COMSTOCK MINE MANAGEMENT.

[New York Engineering and Mining Journal, November 16, 1878.]

"The telegraph brings us the following news, which, while important to the stockholders, and perhaps surprising to those who do not know the *modus operandi* of Comstock management, can scarcely astonish any one who has noted this. Some months ago, when Mr. Mackay was telling the world that the Consolidated Virginia mine never was in better condition, and that the ore in sight was worth so many millions, we warned our readers that the best information we could obtain indicated that the limits of the bonanza had been reached, and that its exhaustion might shortly be expected. Now, Mr. Mackay says that his former statement was inexact, and that our warning was justified by the facts. We believe the Consolidated Virginia mine has still considerable bodies of ore in it, and we do not think that the mere fact of Mr. Mackay stating that the mine

is "played out" is to be considered as conclusive, by any means. The statement, as it comes to us, has every appearance of a job to depress the stock previous to the bonanza firm buying it up to control the next election. After this is accomplished, we may expect to hear that rich ore has again been found; and some dividends will be declared and more promised, and the other usual and unusual devices resorted to to run up the stock, and allow the clique to unload at large profit. At the same time the members continue, through their control of the management, the operations which for so many years have been an outrage and disgrace to California, impoverishing the community, and inculcating a disregard for honor and honesty which demoralizes the whole people, and sanctions, if it does not applaud, acts which should find their reward behind the prison bars.

THE SHARKS OF THE STREET.

[San Francisco News Letter, July 10, 1876.]

"For some months past the *News Letter* has been convinced that the stock market was being manipulated by designing operators to the injury and loss of the general public. Repeatedly we have been urged to expose this condition of affairs, and as repeatedly hesitated because the finger of suspicion pointed always to the great bonanza firm of Flood & O'Brien. The wealth, resources and apparent good faith of these gentlemen have compelled us to doubt their complicity, and to look anxiously to some other solution of the mysterious depressions the market has, of late, repeatedly experienced in Con. Virginia and California. Recently the strong and persistent efforts made by Flood & O'Brien to market these stocks, their private and public assurance of increased dividends, etc., have attracted public attention. The street, confiding in the good opinion generally entertained of the firm in question, took these volunteered endorsements of the bonanza stocks as but another evidence of their great value, and bought still more largely. To some of the more reflective and conservative operators this eagerness to dispose of the firm's own wares was looked upon with uneasiness if not absolute distrust, while a few pointed to it as a certain omen of coming disaster. That disaster is upon us! As we write these lines, there are thousands of families in our midst who are irretrievably ruined by the collapse of the great Con. Virginia bubble. The sham is thoroughly exploded, the bottom is out of the bonanza stocks, while the hard-earned dollars of the merchant, the farmer, the widow and the orphan swell the bloated pile in the vaults of the Nevada Bank. In a word, Flood & O'Brien have "stood from under." It is useless to say that this catastrophe was not directly engineered and brought about by Flood & O'Brien. Not more than sixty or seventy days ago Mr. Flood freely expressed the opinion that Consolidated Virginia would sell higher during this summer than it ever had before, \$1,000 per old share being named by him as the probable figure; while California would certainly reach \$125 or \$150, and all upon intrinsic merit. The public, believing in these statements, purchased confidently at from \$80 to \$90 per share, while the great firm was feeding to repletion, day after day, the market so manufactured by themselves. Since that time there has been a decline of forty million dollars (\$40,000,000) in these stocks, and something less

than \$4,000,000 ore extracted. Last month \$700,000 was drawn from the reserve fund of Consolidated Virginia to pay the \$2 dividend. It will take as much more from its surplus to pay the next. If the mine, sixty days ago, was worth, according to Mr. Flood's statement, \$45,000,000, and was worth 30 per cent. more on its actual merits, what is the reason they are not earning their dividends? There is something fearfully wrong about this entire business, and, in behalf of the unfortunates who have lost their all in this terrible collapse, the *News Letter* calls upon the press of the entire State to join in a demand that the management of these two great mines shall give a full, complete and explicit explanation of the reasons of this fearful depreciation, so utterly at variance with their emphatic statements. We call upon the *Bulletin*, which claims, *per se*, to be "the champion of the people's rights, and the enemy of corrupt corporations," to raise its voice in unearthing what we consider the most dreadful conspiracy it has ever been our duty as journalists to record. On all sides we are confronted by holders of these two stocks, whose purchases were made, directly or indirectly, by the advice or at the personal suggestion of this firm. We wish we had some hope of a better state of things to offer to the community in this—next to the Bank of California failure—our greatest of catastrophes, but there is none to give. For months every man and woman has been paying a sort of enforced tribute to these sharks. To-day they have taken all at a single bite. Such vampires deserve the emphatic and unmistakable expression of public indignation and abhorrence."

A MURKY PROSPECT.

[San Francisco Golden Era, December 7, 1878.]

"Now that Nevada Block has gained the victory over Skae, and Flood is monarch over all he surveys on the Comstock, what is he going to do with it? Superintendent Towne has caused to be hung up in the cars of the Central Pacific Railroad a notice to passengers not to play with the gamblers who infest the trains, warning them that they will surely be robbed if they do. The mind's eye of every man and woman who has dealt in bonanza stocks sees notices of this kind hanging all over Nevada Block. They read: 'If you touch the stocks of this firm you are dead sure to be robbed.' This is the lesson of experience, and now that it is understood that Flood controls everything of value on the Comstock, people realize how worse than useless it is to try their hand at making anything out of Comstock stocks. They who have soaked their stock in the maelstrom will agree that over the door of the Bank of Nevada should be written in letters of fire:

"'All who enter here leave hope behind.'

"It is one thing to put your stock in as collateral for a small per cent. loan, and it is quite another thing to ever see the color of that collateral. Stocks will decline in value, you know.

"IN THE SWEET BYE-AND-BYE,

"The public is comforted with the promise that now that Flood & Company

are crowned king of the Comstock, a new deal will be given, and that stocks will go up. Nobody as yet has been able to fix the date of the deal nor to guess about how high stocks will go up. The go up part of the programme is a long way in the future. The public have no money, and, what is still more damaging to the prospect, they have no faith in Nevada Block's mine management. We are a crazy lot of fools, and after a few weeks the minions of Nevada Block, under the direction of Flood, may work up a little excitement and catch a few hundred thousand dollars, but the remembrance of the vast sum lost on the bonanzas, together with the deep-seated and wide-spread conviction that nothing can be made out of a stock manipulated by Flood, will hold nine men out of ten in check. The knowledge that Nevada Block owns the Comstock will work a general good. It will force money out of stocks, and the capital thus forced into idleness will seek other and more legitimate channels—perhaps aid in the establishment of manufactures and enter other honest fields of enterprise. In future the stock business will be like Flood's old whisky shop—a sort of ten-cent affair. Eastern capitalists, with a lively remembrance of how Flood served them on California and Consolidated Virginia, cannot be induced to touch Union or Sierra Nevada with a forty-foot pole while the genius of Nevada Block directs their management. It is still fresh in the minds of many that just before the collapse of the bonanzas Flood authorized the statement to be made to Eastern stockholders that California and Con. Virginia would continue to pay dividends for years to come. While this is remembered, no statement he can make or cause others to make about the two mines he intends trying to make another bonanza deal on will be credited by his former victims or their friends East."

FLOOD'S MILKING MACHINE.

[San Francisco Chronicle, Dec. 14, 1878.]

"Now that Mr. Flood and his associates have complete control of all the important Comstock mines, and also of the stock market, the old process of "milking the street" will be continued as vigorously as the feebled condition of the subject milked will permit. The process has been brought to a high state of perfection by the distinguished manipulators referred to, and is as exclusively their own property as if they had obtained a patent for it. While the speculative public are strong and bold, as they were recently, the machine works for large profits—millions of dollars. As the money of the people becomes absorbed by this patent process, the patentees accept smaller gains. At present they are content with thousands instead of millions, and they will work the machinery as long as they can gain a dime.

"Controlling everybody in and about the mines, they can have just such 'news' as to developments as they wish. Through their numerous brokers at the stock boards, buying and selling at the same time, they can make prices as they please. After stocks are sold out they can get them back again for a trifle, by levying assessments through their dummy trustees. Or if the holders choose to keep the shares and pay the assessments, the manipulators have a bonanza in the profits from the lumber, water, wood and other material which they furnish the

mines at their own prices. The sum thus collected and disbursed for the Comstock averages nearly \$1,000,000 per month, from which the annual profits must be several millions of dollars.

"Not a stock job of any importance, from Alta to Sierra Nevada, can be carried out without yielding a profit to the owners of the machine. During the past year—ever since the "Reform Committee" of May, 1877, did its benevolent work—this milking process has been actively in operation. In every mine developments have been reported, and the stock of all has been inflated from several hundred to several thousand per cent. The following table shows how the machine has worked since May, 1877, as to the principal assessment stocks. The first column contains the price in May, 1877; the second column the price in October, 1878; the third column the present price, and the last column gives the amount of assessments levied since May, 1877.

MINE.	May, 1877	Oct. 1878	Dec. 1878	Ass'm'ts
Utah.....	\$100,000	\$1,200,000	\$ 300,000	\$200,000
Sierra Nevada	100,000	27,000,000	5,000,000	800,000
Union Consolidated.....	200,000	19,000,000	6,000,000	150,000
Mexican	200,000	10,000,000	4,000,000	100,000
Ophir	800,000	10,000,000	4,000,000	500,000
Best & Belcher	800,000	4,000,000	1,800,000	100,000
Gould & Curry.....	200,000	3,000,000	800,000	500,000
Savage.....	200,000	3,300,000	1,300,000	1,000,000
Hale & Norcross.....	100,000	4,500,000	1,300,000	900,000
Chollar-Potosi	450,000	1,800,000	1,200,000	350,000
Bullion.....	200,000	3,000,000	500,000	700,000
Eschweiler.....	100,000	1,000,000	400,000	100,000
Alpha.....	150,000	600,000	200,000	30,000
Imperial.....	125,000	800,000	200,000	500,000
Yellow Jacket	300,000	4,000,000	1,700,000	900,000
Crown Point.....	200,000	1,200,000	400,000	850,000
Belcher.....	200,000	1,500,000	400,000	720,000
Overman.....	150,000	1,500,000	400,000	380,000
Caledonia.....	100,000	800,000	300,000	450,000
Julia.....	30,000	1,800,000	300,000	400,000
Justice.....	200,000	2,000,000	400,000	1,000,000
Alta.....	50,000	3,000,000	600,000	500,000
Totals.....	\$4,500,000	\$105,000,000	\$30,500,000	\$11,050,000

"The difference between the lowest and the highest prices is \$100,500,000; between the lowest and the present price it is \$26,000,000. Adding the assessments to the lowest prices of 1877, we have \$15,558,000, which, deducted from present prices, leaves \$14,942,000—a nice profit, even if the manipulators have paid the assessments and are content to realize now. How much stock has been sold, just what it cost the machine owners and how much profit they have obtained, it is of course impossible for any outsider to ascertain. But it will be seen by the table above that the margins have been wide enough for immense returns. All these mines are now purely speculative, and in addition, the old bonanza mines are now in the same condition, making the present market value of the Comstock about \$40,000,000, as against \$3,000,000 in 1871, when three mines were paying dividends and assessments were only \$1,000,000 a year. There is still a chance to work the machine a while longer—at least for the collection of assessments.

"The worst of it all is that these enormous fluctuations in value have been the result entirely of manipulation. Some of the mines have been reported in bonan-

za several times, and if regular and persistent lying by the army of experts and cappers would do any good, they would all be paying dividends to-day. Unfortunately not one of them contains actual developments from which it is certain that stockholders will ever receive one dollar of profit from the ores. People who wish to invest in mining properties ought very soon to do one of two things: either to seek investments away from the Comstock, or else to go at once to the Nevada Bank and give their money to Mr. Flood, without putting that great and good man to the trouble of slowly milking in the money by stock jobs. He needs the money, and the delay in getting it causes him great pain."

FLOOD'S FLY-TRAP.

[Colusa Sun.]

"Did you ever see an old-fashioned Missouri fly-trap—two boards tied together at the upper end, smeared over on the inside with molasses, and allowed to hang apart at the lower end? Then, did you ever see a matter-of-fact old woman, watching for a goodly lot of flies on the inside, lay down her dish-rag and give the boards a sudden flap together? If you have seen this, then you are in position to know all about stock gambling. Lots of greedy flies had gathered in between the Stock Boards, and last Wednesday old lady Flood elevated her spectacles on the tip of her nose, placed a hand on either board, and, before a single fly had a chance to escape, gave a vigorous slam. She then put on a little more molasses, and the lower ends hang apart for other adventurous flies."

THE GAME OF "FREEZE OUT."

[The Dalles (Or.) Mountaineer, November 28.]

"The bonanza kings of the Consolidated Virginia and other vast mining corporations are again playing a game of 'freeze out' for the benefit of small shareholders. The first move was to discharge several hundred miners, and give out the impression that the mines were failing. Then comes the usual assessment, which it will be impossible for those of limited means to meet. As a result, stocks go down, and the kings buy. When the bottom is reached a new strike will be made, the miners will be again set to work, and everybody will be happy but the victims who have been treated to the freezing-out process. Such is life on the Stock Exchange in the Bay City."

[San Francisco Golden Era, Dec. 31, 1878.]

"'No, 'tis not so deep as a well, nor so wide as a church door; but 'tis enough—'twill serve.'"

"The depth, width, ghastliness and possible fatal character of the wound dealt

Nevada Block by Squire P. Dewey's expose of the bonanza swindle, is the subject of remark among the well informed, but it needed the billingsgate attack made on the character of Mr. Dewey, in the *News Letter* of last week, to show how badly Mr. Flood is hurt. I assume, of course, that the article in question emanated from the same source as the original attack on Mr. Dewey which appeared in the *Bulletin*, and that, like the first, the second article was published through the influence of Nevada Block's money. I do not know Squire P. Dewey. I never met the gentleman. But I congratulate him here on having done something that the ghosts of a dozen suicides, the tears of a thousand wives and mothers, and the cries of ten thousand children have failed to do—penetrated the rhinoceros-like hide of James C. Flood, and made him squeal—squeal like a stuck pig. The man who can laugh at the misery of his victims, sneer at the desolation of families he has deprived of homes, and ridicule the commandment which says 'Thou shall not steal,' and who yet can be so badly chewed up as the publication of the *News Letter* article implies Mr. Flood to be, directly admits the truth of all Mr. Dewey said about him."

"He fancied himself impervious to anything but gold, yet a man whom he had sought in vain to number with the class of victims of which William C. Ralston was the most prominent—

"Comes at last, and with a little pin
Bores through his castle wall, and—farewell, King."

"The one point made in the *News Letter* attack is conspicuous by its absence. There is not the vaguest allusion to the statement made in Mr. Dewey's reply to the *Bulletin's* attack, that Mr. Flood implicitly told him that there was but half a million dollars in the Con. Virginia's treasury at the time of the Virginia City fire, when in point of fact, there were nearly three million dollars on hand. Mr. Flood being the treasurer of the mine, it is impossible that he should have been ignorant of the exact balance. Yet when Mr. Dewey inquired, as any stockholder had a right to inquire, what was the amount on hand, he answered: "five hundred thousand dollars." Mr. Flood's *News Letter* squeal gives this part of Mr. Dewey's reply as silent a go-by as the President's message did the Chinese question. The description as to the balance of money on hand is the key to the whole business. Ralston was a rich man. The play was to get his money. He was confidentially supplied with points that induced him to heavily short the bonanzas at a time when the programme was to float them away up in the hundreds. We all know the result. A large proportion of his immense fortune passed to Nevada Block. I do not care to repeat the painful story.

"Mr. Dewey is a rich man; no thanks to Mr. Flood, however, that he is so. Mr. Dewey's means would have swelled the wealth of Nevada Block. When he was told the falsehood as to Con. Virginia's balance, if he had placed as implicit confidence in the information he received from Mr. Flood, as Ralston did in the confidential assurance of his "friend," in place of losing fifty thousand dollars, he would have lost his entire fortune. At present this is the only phase of the controversy I shall dwell upon. I maintain that the evidence of a conspiracy to lead Mr. Dewey into an investment by which he would make a heavy losing, and Nevada Block a proportionately heavy gaining, is irrefutable and conclusive.

"In some respects I am sorry Mr. Dewey lost even the, to him, small sum he did, but in others I am glad of it. Had he escaped the trap set for him, or had there been no trap set for him, the mass of dealers in mining stock would never have obtained the glimpse of the *modus operandi* by which the millions have been transferred from their own pockets to those of Mr. Flood and his associates, which has been afforded by the response to the *Bulletin's* attack. Better still, this reply will save to the people millions of dollars that would have gone where millions have already gone—to join Ralston's millions, Mr. Dewey's fifty thousand, and last, but to me by no means least, the few thousand which my grandfather and my father earned for me to lose at Mr. Flood's dead-open-and-shut game."

BITING THE FILE.

[San Francisco Chronicle, May 27, 1878.]

"The Bonanza 'kings' are evidently wriggling with much spite under the suit brought against them in the Twelfth District Court to compel a restoration to the stockholders of Consolidated Virginia of the snug sum of \$30,000,000, alleged to be fraudulently appropriated by said 'kings' to their private treasure-box. They thrashed around in a three-column serpentine fulmination of slang and abuse in one of the corporation organs on Saturday evening, and snapped at the file with real envenomed fangs. To divert public attention from the chapter of wrongs and outrages charged against them, they seek to muddy the water in which they are floundering by ejecting inky slime against other parties. Venomous reptiles sometimes, when cornered, turn and sting themselves to death. The long tirade leads to the conviction that these men have been poisoned with their own venom. Perhaps by the time the suit which has so aroused them shall be brought to judgment they will have learned the lesson that a guilty man cannot long evade capture by crying out, 'Stop thief.' They have at least, too, begun to recognize the fact that there is such a power as law, at least for others. They talk of extortion, as though they had not been the real extortioners, and actually quote from the Penal Code the law defining such offence. It would have been well for them had they studied both civil and criminal law at an earlier date. The suit referred to will give them an insight into the rights of stockholder in a civil action, and the following section from the Penal Code will serve to direct their attention to the liabilities of corporation officers under the criminal law :

"SECTION 564—Every director, officer or agent of any corporation or joint stock association who knowingly concurs in making, publishing or posting any written report, exhibit or statement of its affairs, containing any material statement which is false, is guilty of a felony.

"This section may be of interest to them in view of the following facts: In their official report of Consolidated Virginia, dated December, 1875, it was

stated, first, that the ore body in the 1500-foot level extended south for a distance of 480 feet from the northern line ; second, that the width of the ore body varied from 150 to 320 feet ; third, that in the 1550-foot level the ore body extended south 400 feet from the northern line ; fourth, that at 320 feet south of the north line a winze had been sunk 147 feet, all the way in rich ore. Every one of these was a material statement, and every one was false. The official survey of James & Wrinkle, made for the company and now hanging on the walls of the company's office, shows, first, that the ore body on the 1500-foot level extended south only 240 feet from the northern line ; second, that the width of the ore body varied from 50 to 150 feet ; third, that on the 1550-foot level the ore body extended south only 240 feet ; fourth, that the winze that went down from the 1550-foot level 147 feet in ore was only 160 feet from the northern line. As all these mis-statements had the effect and evident purpose to impress the public with an exaggerated idea of the extent of the bonanza, and as they must have been known by the authors of them to be false, we think the section of the Penal Code above quoted is particularly applicable."

SOWING DRAGONS' TEETH.

[Alameda Argus, November 28.]

On the day of the recent panic in the stock market, scores, perhaps hundreds, of men who left their homes in the belief that they were the possessors of moderate fortunes, returned at night with the knowledge that the vicissitudes of the day had bereft them of their all. How many aching hearts and grief-bound men and women went to sleepless couches that night, none but the All-seeing Eye could know. All this has been caused by the fraud and deceit practiced by the unscrupulous mine managers upon the credulity of those who were in haste to be rich. The question naturally arises, Is there to be no day of reckoning for those who are the wicked authors of so much ruin? Is this rapacity, which, by the breach of all laws, both human and divine, is enabled to devour the substance of the artisan, the servant girl, the widow and the orphan, to continually escape punishment? Are we to see the fruits of such crimes continually paraded in our midst—gaudily dressed and jewelry be-dizened females in gorgeous equipages drawn by spirited horses and driven by flunkies in the liveries of the parvenu wrongdoers—massive buildings and other unblushing displays of ill-gotten wealth—without some accounting being had between the law and these greedy appropriators of other men's earnings?

"Some poor and needy wretch, who, by false pretence, obtains the price of a meal or a night's lodging speedily finds himself the inmate of a prison ; but he who, by deliberate publication of false reports of the condition of a mine, obtains money which he could not get if the truth were told, is regarded as a shrewd fellow, and one who is entitled to a palace instead of a prison, and so far from incurring any risk of prosecution, the officers of justice bow down to him and seek his most gracious nod of recognition. Looking around San Francisco, we

see that her wealthiest men have acquired their possessions by these unscrupulous practices, and we constantly hear them descanting on the sacred rights of property and the spirit of disregard of those rights which is so rife at the present moment.

"We say to them that if the day ever comes when the masses refuse to recognize these rights, and in defiance of law attempt to forcibly dispossess them of the property which they have so questionably acquired, it will be the fair outcome of their own dishonesty. They have deliberately sown the dragon's teeth, and it will not be surprising if the harvest of armed men comes in due time."



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